FRANCHISE DISCLOSURE DOCUMENT

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BHF Franchising, LLC
A Delaware Limited Liability Company
8529 Southpark Circle, Suite 410
Orlando, Florida 32819
(813) 623-5461
www.buddyrents.com
Franchising@buddyrents.com

The franchise offered is for the operation of a rent-to-own home furnishings, electronics, and appliances business under the name "BUDDY'S HOME FURNISHINGS."

The total investment necessary to begin operation of a BUDDY'S HOME FURNISHINGS retail business is $375,650 to $797,540. This includes $235,550 to $444,913 that must be paid to the franchisor or its affiliate(s). If you enter into a Development Agreement, you will pay us a development fee in connection with signing the Development Agreement. The development fee will be $39,900 for your first BUDDY'S HOME FURNISHINGS retail business to be developed under the Development Agreement and $25,000 for each additional BUDDY'S HOME FURNISHINGS retail business to be developed under the Development Agreement. If you acquire development rights under a Development Agreement, you must agree to develop a minimum of two BUDDY'S HOME FURNISHINGS retail businesses, and the total investment to begin operation (for a minimum of 2 Retail Businesses) is $400,650 to $822,540. This includes $260,550 to $469,913 that must be paid to the franchisor or its affiliate(s).

This Disclosure Document summarizes certain provisions of your franchise agreement, development agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, us or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Michael Bennett at 8529 Southpark Circle, Suite 410, Orlando, Florida 32819 and (813) 623-5461.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 28, 2026

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit K**.**
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Buddy's Home Furnishings business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Buddy's Home Furnishings franchisee?	Item 20 or Exhibit K lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **<u>Out-of-State Dispute Resolution</u>.** The franchise agreement and development agreement require you to resolve disputes with the franchisor by arbitration and/or litigation only in the city of its corporate headquarters (currently Orlando, Florida). Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in the city of its corporate headquarters than in your own state.

2. **<u>Spousal Liability</u>**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.

3. **<u>Supplier Control</u>**. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

4. **<u>Turnover Rate</u>**. During the last 3 years, 136 outlets were terminated, transferred, re-acquired, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

<u>THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW</u>

Pursuant to the provisions of the Michigan Franchise Investment Law, MCL 445.1501, et. seq., BHF Franchising, LLC provides the following notices and disclosures to potential franchisees in the State of Michigan:

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition of the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchisee on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchisee for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this Notice shall be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 335-7567.

Note: Despite paragraph (f) above, we intend, and we and you agree, to enforce fully the arbitration provisions of our Franchise Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, "**we**" or "**us**" means BHF Franchising, LLC, the franchisor. "**You**" or "**your**" means the person or entity that buys the franchise. If the franchisee is a corporation, limited liability company, or other entity, we may require certain of your owners to sign the Personal Guarantee attached as Exhibit D to the Franchise Agreement and, if applicable, the Payment and Performance Guarantee attached as Appendix B to the Development Agreement, which means that all of the provisions of the Franchise Agreement and, as applicable, the Development Agreement also will apply to them.

The Franchisor

We are a Delaware limited liability company formed on January 14, 2026. We do business under our corporate name and the name "BUDDY'S HOME FURNISHINGS." Our principal business address is 8529 Southpark Circle, Suite 410, Orlando, Florida 32819. Our agents for service of process are listed in Exhibit A to this Disclosure Document.

We became the franchisor of Buddy's Home Furnishings® specialty retail businesses, which are engaged in rent-to-own leasing and selling consumer electronics, residential furniture, appliances and household accessories ("**Buddy's Retail Businesses**"), on January 14, 2026. We have never operated a Buddy's Retail Business, although our parent company, BHF Operating Company, LLC ("**BHF Operating Company**"), has operated Buddy's Retail Businesses since December 2025, nor have we ever offered franchises in other lines of business. We have no business activities other than those described in this Item 1.

Predecessors

Our predecessor, Buddy's Franchising and Licensing LLC, a Florida limited liability company ("**BFL**"), was the franchisor of Buddy's Retail Businesses from January 2010 to December 2025. BFL has never offered franchises in other lines of business, nor has it ever operated a Buddy's Retail Business. BFL's parent company, Buddy's Newco, LLC, a Delaware limited liability company ("**Buddy's Newco**"), operated Buddy's Retail Businesses from 2019 to December 2025. Buddy's Newco has never offered franchises for Buddy's Retail Businesses or franchises in other lines of business. The principal business address of BFL and Buddy's Newco is 8529 Southpark Circle, Suite 410, Orlando, Florida 32819. Under the terms of an asset purchase agreement dated as of December 31, 2025, our parent company, BHF Operating Company, acquired from BFL and Buddy's Newco substantially all of the assets and rights relating to the franchising and operation of Buddy's Retail Businesses, including all right, title, and interest in and to the Trademarks and the System (each as defined below). We are not affiliated with BFL or Buddy's Newco.

Parent and Certain Affiliates

As stated above, our parent company is BHF Operating Company, a Delaware limited liability company. BHF Operating Company has operated Buddy's Retail Businesses since December 2025 and may provide products or services to our franchisees. BHF Operating Company shares our principal business address. Except as described in this paragraph, we do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

The Franchise

We offer franchises to operate Buddy's Retail Businesses to certain qualified individuals and entities. In this Disclosure Document, the term "**Retail Business**" will refer to the individual Buddy's Retail Business you will operate under the terms of a franchise agreement, the current form of which is attached to this Disclosure Document as Exhibit C (the "**Franchise Agreement**"). The Franchise Agreement will grant you a territory (the "**Territory**") for the Retail Business. The Retail Business will operate under the trade name "BUDDY'S HOME FURNISHINGS" and other trademarks, service marks, trade names and commercial symbols we designate (collectively, the "**Trademark**s") and a distinct system (the "**System**"). The Retail Business will offer for lease high quality household goods (including consumer electronics, appliances, furniture, jewelry and computers) with an option for ownership, along with ancillary customer services. Buddy's Retail Businesses offer and sell (i) products and services that we designate as mandatory offerings in Buddy's Retail Businesses ("**Core Products and Services**") and (ii) products and services that we designate as optional offerings in Buddy's Retail Businesses ("**Optional Products and Services**"). Buddy's Retail Businesses may only offer the range, types and brands of household goods, consumer electronics, and consumer financial services associated with the System, as set forth in the Operations Manual as Core Products and Services or Optional Products and Services, or otherwise approved by us for sale in a Buddy's Retail Business (collectively, the "**Approved Products and Services**").

We also offer to grant certain qualified individuals and entities the right to become a multi-unit developer ("**Developer**") to develop and open a certain number of Buddy's Retail Businesses within a designated geographic territory (a "**Development Area**") under the terms of a development schedule (a "**Development Schedule**"). You must commit to developing a minimum of two Buddy's Retail Businesses under the Development Agreement. Developers will develop Buddy's Retail Businesses under the terms of a development agreement, the current form of which is attached to this Disclosure Document as Exhibit D (the "**Development Agreement**"). For each Retail Business developed under the Development Agreement, the applicable Developer must sign our then-current form of Franchise Agreement, which will govern the operation of the Retail Business and which may include terms that are different from the form of Franchise Agreement included as Exhibit C to this Disclosure Document.

As of December 31, 2025, there were 191 franchised Buddy's Retail Businesses and 32 company-owned Buddy's Retail Businesses open and operating in the United States.

The Market and Competition

You will compete with other rent-to-own businesses, including national chains, small independent businesses, and online retailers. The market for businesses offering similar products and services is primarily sub-prime, cash and credit constrained consumers, although short-term rentals and corporate leases may comprise a small portion of your business. The market competition may vary from one geographic area to another. The Retail Business will offer the products to the general public. The sales are not seasonal.

Licenses and Permits

Some states have laws that may require you to obtain a bedding and furniture retailer license and/or a service contract seller license before you can operate your Retail Business. You should investigate the existence or application of these laws in your particular state. Other than these laws, there are no laws and regulations specific to the industry in which you will operate.

ITEM 2
BUSINESS EXPERIENCE

<u>Michael Bennett: Chief Executive Officer</u>

Mr. Bennett has served as our Chief Executive Officer since our formation in January 2026. From July 2019 to December 2025, he served as the Chief Executive Officer of Buddy's Newco. He also has served on the Board of Directors for the Association of Progressive Rental Organizations in Cedar Park, Texas since August 2019. He is a Certified Franchise Executive. Mr. Bennett serves in his present capacities in Orlando, Florida.

<u>Teresa Hill: Vice President of Operational Support</u>

Ms. Hill has served as our Vice President of Operational Support since our formation in January 2026. From September 2013 to December 2025, she served as the Vice President of Operational Support of Buddy's Newco. She is a Certified Franchise Executive. Ms. Hill serves in her present capacity in Orlando, Florida.

<u>Michael Zagar: Vice President of Franchise Operations</u>

Mr. Zagar has served as our Vice President of Franchise Operations since our formation in January 2026. From March 2023 to December 2025, he served as the Vice President of Franchise Operations of Buddy's Newco. From January 2019 to February 2023, he served as the Director of Franchise Operations of Buddy's Newco. He is a Certified Franchise Executive. Mr. Zagar serves in his present capacity in Orlando, Florida.

<u>Mitchell Lee: Senior Director of Franchise Development</u>

Mr. Lee has served as our Senior Director of Franchise Development since our formation in January 2026. From January 2024 to December 2025, he served as the Senior Director of Franchise Development of Buddy's Newco. From April 2021 to December 2023, he was Director of Franchise Development of Buddy's Newco. From March 2020 to March 2021, he was Director of Franchise Development for CARSTAR Franchisor SPV LLC in Charlotte, North Carolina. He is a Certified Franchise Executive. Mr. Lee serves in his present capacity in Abilene, Texas.

<u>Jemma Lawrance: Vice President of Finance and Secretary</u>

Ms. Lawrance has served as our Vice President of Finance and Secretary since our formation in January 2026. From January 2022 to December 2025, she served as the Vice President of Finance of Buddy's Newco. From July 2019 to December 2025, she also served as Secretary of Buddy's Newco. From October 2014 to December 2021, she served as Controller of Buddy's Newco. Ms. Lawrance serves in her present capacity in Orlando, Florida.

ITEM 3
LITIGATION

Concluded Predecessor Actions

(1) *MMS Group, LLC v. Buddy's Franchising and Licensing LLC and Franchise Group, Inc.*, Case No. 01-22-0004-9922, American Arbitration Association; and

(2) *Buddy's Franchising and Licensing LLC v. Joseph Gazzo III a/k/a Joseph Gazzo, Bi-Rite Holdings, LLC and Buddy's Rollco LLC*, Case No. 01-23-0002-1135, American Arbitration Association.

With respect to the *MMS Group, LLC* matter, on or about November 29, 2022, a former franchisee, MMS Group, LLC, filed a demand for arbitration against our predecessor, BFL (and BFL's former indirect parent company, Franchise Group, Inc. ("**FRG**")), alleging that BFL breached the franchisee's franchise agreement, breached the covenant of good faith and fair dealing, violated Florida's Deceptive and Unfair Trade Practices Act by failing to renew the applicable franchise agreement and by failing to provide the former franchisee with a first right of refusal, and engaged in unfair methods of competition. On or about December 29, 2022, BFL filed its answer to the arbitration demand and filed counterclaims against the former franchisee, alleging that it breached the franchise agreement by violating the in-term and post-term covenants not to compete and selling unapproved inventory, violated the Lanham Act by falsely coding inventory to influence customer purchasing decisions, and violated the Defend Trade Secrets Act. With respect to the *Joseph Gazzo III* matter, on May 10, 2023, BFL filed a demand for arbitration against a former franchisee, Buddy's Rollco LLC, its owner, Joseph Gazzo (also the owner of MMS Group, LLC), and Mr. Gazzo's holding company, Bi-Rite Holdings, LLC, alleging breach of three franchise agreements, violations of the Lanham Act, violations of the Defend Trade Secrets Act, unjust enrichment, and conversion. The *MMS Group, LLC* and *Joseph Gazzo III* matters were consolidated into one arbitration matter.

On May 10, 2024, the parties entered into a settlement agreement for the *MMS Group, LLC* and *Joseph Gazzo III* matters, under the terms of which (a) BFL was granted nine non-compete injunctions against the former franchisees, (b) the franchise agreements were terminated, and (c) the franchisees were required to close all of their Buddy's Retail Businesses and a competing business opened in violation of the applicable franchise agreement. In addition, without admitting guilt or liability, BFL agreed to pay to the franchisees and Mr. Gazzo $1,625,000.

Predecessor-Initiated Action

Buddy's Franchising and Licensing LLC v. Buddy Mac Holdings LLC et al., Case No. 2025-CA-010986, 9th Judicial Circuit in and for Orange County, Florida. On November 6, 2025, our predecessor, BFL, filed this action against multiple affiliated former franchisees, alleging that, after BFL's termination of the applicable franchise agreements, the former franchisees continued to operate at the applicable locations under a different brand in violation of the noncompetition restrictions in the franchise agreements. BFL sought to enjoin the conduct. On December 18, 2025, the case was removed to the United States District Court for the Middle District of Florida (Case No. 6:25cv2442). On December 4, 2025 and January 25, 2026, the defendants filed for bankruptcy in the U.S. Bankruptcy Court for the Northern District of Texas (Case No. 25-34839). On February 3, 2026, BFL and the defendants entered into a settlement agreement for the Florida matter, which will become effective upon approval by the U.S. Bankruptcy Court for the Northern District of Texas.

<u>Effective Injunctive Order Against Predecessor</u>

In the Matter of Buddy's Newco, LLC, FTC Matter No: 191 0074. On May 11, 2020, the Federal Trade Commission (the "**FTC**") issued its Final Decision and Order in connection with its civil investigation of our predecessor, Buddy's Newco, and two other rent-to-own operators. Buddy's Newco agreed to settle, without an admission that the antitrust laws were violated, FTC allegations that the three rent-to-own operators negotiated and executed reciprocal purchase agreements. Under the terms of the Order (to which our predecessor, BFL, is also subject), the three rent-to-own operators are prohibited from entering into any reciprocal purchase agreement or inviting others to do so and from enforcing any non-compete clauses still in effect from the past reciprocal purchase agreements. The operators were also required to implement antitrust compliance programs and must notify the FTC in the event of certain changes in corporate governance. In addition, the companies are prohibited from having any of their representatives serve as a board member or officer of a competitor and from allowing any competitor's representative to serve on their boards.

No other litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

<u>Predecessor Bankruptcy</u>

In re Franchise Group, Inc., Case No, 24 12480, U.S. Bankruptcy Court for the District of Delaware. On November 3, 2024, BFL's (our predecessor's) former indirect parent company, FRG, (and certain of FRG's direct and indirect subsidiaries) (together with FRG, collectively, the "**Debtors**"), including BFL, filed voluntary petitions (the "**Chapter 11 Cases**") for relief under Chapter 11 of Title 11 of the United States Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**"). On May 14, 2025, the Debtors filed the *Ninth Amended Joint Chapter 11 Plan of Franchise Group, Inc. and its Debtor Affiliates* (as amended, supplemented, or modified from time to time, the "**Plan**"), which contemplated certain restructuring transactions to be effectuated through the Chapter 11 process. On June 2, 2025, the Bankruptcy Court entered the *Findings of Fact, Conclusions of Law, and Order (i) confirming the Ninth Amended Joint Chapter 11 Plan of Franchise Group, Inc. and its affiliated debtors and (ii) approving the Global Settlement and Release of Claims and Causes of Action by and among the Global Settlement Parties* [Docket No. 1596] (the "**Confirmation Order**"). Under the terms of the Confirmation Order, the Plan became effective with respect to FRG and certain of its affiliated debtors, including BFL, on June 6, 2025, at which time the Debtors emerged from Chapter 11. In connection with the restructuring transactions effectuated under the terms of the Plan and the Confirmation Order, Fusion Parent, LLC ("**Fusion Parent**") became the ultimate owner and indirect parent of our predecessor, Buddy's Newco, and the indirect parent company of BFL. The equity of Fusion Parent is owned-by certain former lenders of the Debtors.

No other bankruptcy information is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

<u>Franchise Agreement</u>

To apply for a franchise, you will submit a Franchise Application to us including preliminary financial and biographical information. We will evaluate this information, and, if there is mutual interest in continuing discussions, you will submit the Prospective Franchisee Confidentiality Agreement attached to this Disclosure Document as Exhibit G.

For each Retail Business, you must pay us an initial franchise fee (the "**Initial Franchise Fee**") upon signing the Franchise Agreement (except as provided in the following paragraph). The Initial Franchise Fee is $39,900. If, however, you sign a Development Agreement, the Initial Franchise Fee for the second and each subsequent Retail Business to be developed under the Development Agreement will be reduced to $25,000. The Initial Franchise Fee is a lump sum payment, fully earned upon receipt, and is not refundable.

We offer a 20% discount on the Initial Franchise Fee to honorably discharged veterans of U.S. Armed Forces who otherwise meet our program requirements. This discount is only applicable for the first Buddy's Retail Business granted to you and may not be combined with any other Initial Franchise Fee discount.

We also offer a 10% discount on the Initial Franchise Fee to current and former first responders who otherwise meet our program requirements. This discount is applicable to individuals who are (or were) employed in good standing for at least five consecutive years as a firefighter, paramedic, or law enforcement officer. This discount is only applicable for the first Buddy's Retail Business granted to you and may not be combined with any other Initial Franchise Fee discount.

In addition, we may, in our sole discretion, implement other incentive programs to encourage franchise system growth. Under these incentive programs, if applicable, we may, among other things, reduce the Initial Franchise Fee. We reserve the right to modify or discontinue any incentive program we implement at any time in our sole discretion.

During fiscal year 2025, our predecessor collected Initial Franchise Fees ranging from $25,000 to $39,900.

Development Agreement

You must pay to us a non-refundable lump sum development fee (the "**Development Fee**") upon signing the Development Agreement in an amount equal to 100% of the Initial Franchise Fee for each Retail Business to be developed under the Development Agreement ($39,900 for the first Retail Business and $25,000 for the second and each subsequent Retail Business). You must agree to develop a minimum of two Retail Businesses under the Development Agreement. This fee is fully earned by us when paid and is not refundable. At the time that you sign each Franchise Agreement, no Initial Franchise Fee will be owed for the applicable Retail Business as the Initial Franchise Fee was paid in full upon execution of the Development Agreement.

Pre-Opening Purchases

Before opening for business, you must purchase your initial inventory of Approved Products and Services from us or any approved suppliers. You must lease from us or BHF Operating Company certain (i) equipment, hardware, and software components of the Computer System (defined below) and a telephone system, (ii) interior signage, and (iii) in-store point-of-sale peripherals. In connection with the lease of the Computer System and telephone system, you must sign the Technology Agreement attached to this Disclosure Document as Exhibit E. You also will sign the Software License Agreement attached as Rider 1 to the Technology Agreement to obtain from us a license to use our proprietary point-of sale software. The payments due under the Software License Agreement are covered by the Technology Fee due under the Technology Agreement (as detailed in Items 6 and 11). You must sign a Signage Lease

Agreement attached to this Disclosure Document as Exhibit F and lease your signage from us. We estimate that your pre-opening costs for the items obtained from us or BHF Operating Company will range from $195,650 to $405,013 per Retail Business, as detailed below:

Computer System	$3,150 to $3,750
Signage	$500 to $2,580
Initial Inventory	$192,000 to $398,683
Total	**$195,650 to $405,013**

Factors that affect the amount of your pre-opening costs for these items include the size of your Retail Business, the number of items ordered and offered at your Retail Business, and the amount and type of equipment leased, software licensed, and services provided under the Technology Agreement. Opening inventory purchases are not refundable under any circumstances.

Except as discussed above, you do not pay us or our affiliates any other fees or payments before your Retail Business opens. Neither we nor our affiliates offer financing of the Initial Franchise Fee, Development Fee or other initial amounts payable to us. Except as specifically disclosed, the above-described fees are uniformly imposed.

ITEM 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	6% of Gross Sales You will not, however, be required to pay the Royalty Fee with respect to Gross Sales generated during the reporting week in which your Retail Business opens for business or the 25-reporting week period thereafter, provided that: (a) your Retail Business was opened in accordance with Section 6(b) of the Franchise Agreement; and (b) you are executing the Franchise Agreement in connection with your development of a new Buddy's Retail Business from the ground up (not a transfer, renewal, or conversion).	Weekly for the preceding week	See Notes 1 and 3
Marketing Fee	Currently, $175 per week	Weekly	We have the right to increase the Marketing Fee periodically upon written notice to you, not to exceed 2% of your annual Gross Sales. See Notes 1, 2, and 3.

Type of Fee	Amount	Due Date	Remarks
Marketing Cooperative Contribution	Not currently established or collected, but if established, the total of your contribution to the Marketing Fund, your required minimum local marketing expenditures, and your Marketing Cooperative contribution in any calendar year will not exceed 4.5% of Gross Sales in that year.	Determined when established	See Note 2
Audits	Cost of audit plus interest at the maximum rate allowable by law (not to exceed 18% per year)	Upon demand	See Note 4
Extension Fee	$1,500 per month for each of the first 6 months of any extension and $2,500 per month for months 7-12 of any extension	Monthly	Payable under the Franchise Agreement or Development Agreement for one Retail Business if you request, and we grant in our sole discretion, an extension prior to the applicable opening deadline. See also Item 11 under "Site Selection and Build-Out"
Renewal Fee	$2,000	At renewal	
Transfer Fee	$10,000	At time of transfer	
Late Fee/Interest Expense	$100 for each delinquent report or payment under the Franchise Agreement. All late payments will bear interest at 18% per year or the maximum legal rate in the state where the Retail Business is located.	Automatically upon next electronic transfer of funds	Applied to late payments of amounts owed under the Franchise Agreement, including Royalties and Marketing Fees
Technology Fee	$1,050 per month for a typical Retail Business, but the actual amount will depend on the amount and type of equipment leased, software licensed, and services provided under the Technology Agreement and used in the Retail Business	Monthly	See Item 11 under "Computer System" for those circumstances under which the Technology Fee may be modified
Signage Lease Fee	Approximately $25 to $115 per week during the first 5 years after the sign is installed and $1 per week after the initial 5 years through the remainder of the term of the Signage Lease Agreement	Weekly	

Type of Fee	Amount	Due Date	Remarks
Purchase of Approved Products and Services	Varies (See Item 8)	Upon demand	You must purchase the Approved Products (as defined in Item 8) through the BPP (as defined and described in Item 8), with limited exception.
Training	The initial training for required trainees is included in the Initial Franchise Fee if all of your required trainees are trained at the same time. We reserve the right, however, to charge a training fee of up to $1,000 (currently, $500) per trainee per day for each person who repeats initial training, replaces a person who did not pass initial training, or assumes the position of a required trainee. We may charge you a reasonable fee (not to exceed the greater of $1,000 per trainee per day or 120% of our actual costs to provide the training) for optional ongoing training programs and for remedial training programs – currently, $500 per trainee per day.	As incurred	You must pay all travel and living expenses while attending any training programs. You will pay those charges directly to third parties.
Supplier Review Fee	Our costs and expenses	As incurred	
Relocation Charge	Our costs and expenses	As incurred	Payable if we permit you to relocate
Temporary Operating Expense	Will vary under the circumstances	As incurred	If we temporarily operate the Retail Business as provided under the Franchise Agreement, we have the right to charge you our reasonable costs incurred in operating the Retail Business.
Tax Reimbursement	Amount of sales, excise, or other tax incurred	Upon demand	Payable if we or any affiliate must pay a tax on amounts we or an affiliate of ours must pay based on a sale, lease, service or amount collected related to the Franchise Agreement
Costs and Attorneys' Fees	Our costs and expenses	As incurred	See Note 5
Indemnification	Will vary under the circumstances	As incurred	You must indemnify and reimburse us for our costs if we

Type of Fee	Amount	Due Date	Remarks
			are sued or held liable in any case having to do with the operation of the Retail Business or your breach of the Franchise Agreement.
Purchase Order Processing Fee	2% of total invoice price for purchase orders created by us outside of the BPP	As incurred	Payable if you default under the Franchise Agreement or any other agreement with us, and we, in our sole discretion, terminate or suspend your participation in the BPP, as detailed in Item 8
Insurance Costs	Premiums plus our costs and expenses	As incurred	Due only if you fail to obtain or maintain (or prove you have obtained or maintained) the required insurance, and we, at our option, obtain insurance for you
Partial Liquidated Damages for Breach of Any Covenant Not to Compete	Royalty Fees and Marketing Fees against the greater of: (a) the total Gross Sales during the 12-month period preceding the breach; or (b) the total revenue you received in breach of the applicable covenant(s) not to compete. The greater of these two dollar figures will be multiplied by two to give consideration to lost repeat and referral business to us.	Upon demand	Payable if you fail to comply with any of the covenants not to compete in Sections 8(h), 8(i), and 8(j)
Webpage Fee	Although we do not currently charge you a webpage fee, we have the right to charge you a reasonable fee, not to exceed $200 per month.	As incurred	We will have the right, but not the obligation, to designate one or more webpage(s) on the System Website to describe you and/or your Retail Business.

Notes:

Unless otherwise noted, you will pay all fees to us, and all fees are uniformly imposed. All fees are non-refundable. You must sign a draft authorization for your business bank account. A current copy of the draft authorization is included as Exhibit C to the Franchise Agreement. The draft authorization permits us to draw from your account all amounts due and payable to us or our affiliates. You must maintain a sufficient balance to satisfy those account drafts and will be liable for any costs resulting from your failure to do so.

(1) "**Gross Sales**" means all revenue that you receive or otherwise derive from operating your Retail Business, whether from cash, check, credit or debit card, gift card or gift certificate, or other credit transactions, and regardless of collection or when you actually provide the products or services in exchange for the revenue. If you receive any proceeds from any business interruption insurance applicable to loss of revenue at your Retail Business, there will be added to Gross Sales an amount equal to the imputed gross

revenue that the insurer used to calculate those proceeds. Gross Sales does not include (a) any bona fide returns and credits that are actually provided to customers or (b) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority. You may not deduct payment provider fees (i.e., bank or credit card company fees and gift card vendor fees) from your Gross Sales calculation.

(2) The Marketing Fee is paid to us for deposit in a Marketing Fund. The Marketing Fee is payable for each Retail Business you own. If a Marketing Cooperative is established, each Retail Business within a designated local advertising area (including any company-owned Retail Business) will be a member of the applicable Marketing Cooperative, and each Retail Business will have one vote on all matters requiring a vote.

(3) You must pay us the Royalty Fee, Marketing Fee and any other recurring payment under the Franchise Agreement weekly. Each Sunday, we will compute your Gross Sales for the period beginning at midnight on the preceding Sunday and ending at midnight on the Saturday after such preceding Sunday. Before 12:00 p.m. local time in Orlando, Florida on the next business day after we make the computation of your weekly Gross Sales, we will notify you of the amount of Gross Sales computed by us. After 2:00 p.m. local time in Orlando, Florida on the next business day after you are notified of the amount of our computation of your weekly Gross Sales, we will withdraw from your account all amounts due and payable to us or our affiliates. If we are unable to calculate any fees or other amounts due to us and our affiliates based on Gross Sales, whether as a result of your failure to make the necessary information available to us, communications failures, force majeure or otherwise, we may estimate the amount of fees due and may make a corresponding withdrawal from your account. If we overestimate the amount of fees due from you, then you will receive a credit for the overestimated amount against future fees when the amount has been determined. If we have underestimated the amount of fees due from you, then we will be authorized to withdraw the amount of the underpayment from your account immediately upon such determination.

(4) If an evaluation or audit of your books and records relating to your Retail Business reveals any understatement of your Gross Sales, in addition to paying all amounts owed on the amount of the understatement, you must pay for the audit, and, in addition to any other rights we may have, we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably consider necessary for up to two years thereafter. Any such additional audits and examinations will be at your sole expense, including any professional fees, travel and room and board expenses we incur related thereto. If you intentionally understate or underreport Gross Sales at any time, or a subsequent audit or evaluation conducted within the two-year period reveals any understatement of your Gross Sales by 2% or more, in addition to any other remedies provided in the Franchise Agreement, we have the right to terminate the Franchise Agreement immediately.

(5) The prevailing party in any action or proceeding arising under the Franchise Agreement will be entitled to recover its reasonable costs and expenses, including attorneys' fees. You (or your assignee) must also pay the attorneys' fees and costs we incur in any bankruptcy or insolvency proceeding relating to you. Further, in the event of a breach or threatened breach of the Franchise Agreement by either party, the aggrieved party will be entitled to an injunction or specific performance, as appropriate, plus reasonable attorneys' fees and costs.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

(RETAIL BUSINESS DEVELOPED UNDER FRANCHISE AGREEMENT)					
TYPE OF EXPENDITURE	**AMOUNT Low Range**	**AMOUNT High Range**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Initial Franchise Fee (Note 1)	$39,900	$39,900	Lump Sum	Upon Signing of Franchise Agreement	Us
Leasehold Improvements (Note 2)	$2,000	$109,000	As Arranged	As Arranged	Contractors
Furniture, Fixtures and Equipment (Note 3)	$12,000	$25,000	As Arranged	As Arranged	Third Party Suppliers and Contractors
Computer System (Note 4)	$3,150	$3,750	As Incurred	As Incurred	Us
Signs (Note 5)	$500	$2,580	As Incurred	As Incurred	Us
Three Months' Rent (Note 6)	$6,600	$39,627	As Incurred	As Incurred	Landlord
Security Deposits for Lease and Utilities (Note 6)	$7,500	$21,000	As Arranged	Before Opening	Landlord and Utility Company
Initial Inventory (Note 7)	$192,000	$398,683	Lump Sum	As Arranged	Us, Approved Third Party Suppliers
Insurance (Note 8)	$4,000	$9,000	As Arranged	Before Opening	Third Party Supplier
Training Expenses (Note 9)	$2,000	$4,000	As Incurred	As Incurred	Transportation Lines, Hotels, Restaurants

(RETAIL BUSINESS DEVELOPED UNDER FRANCHISE AGREEMENT)					
TYPE OF EXPENDITURE	**AMOUNT Low Range**	**AMOUNT High Range**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Grand Opening Advertising/ Marketing (Note 10)	$10,000	$25,000	As Incurred	As Incurred	Media, Printers, Other Suppliers
Professional Fees, Business Licenses and Permits (Note 11)	$1,000	$10,000	As incurred	As incurred	Your Attorneys and Other Professionals, Local and State Agencies
Additional Funds (3-month period) (Note 12)	$95,000	$110,000	As Incurred	As Incurred	Employees, Landlord, Suppliers
TOTAL (Note 13)	$375,650	$797,540			

Notes:

* Except where otherwise noted, we do not offer direct or indirect financing to franchisees for any items. Except for the security deposit under the lease for the Retail Business, which is typically refundable if you comply with the lease terms, all fees and payments are generally nonrefundable. Third party suppliers, however, will decide if payments to them are refundable. We base the high and low ranges on an average size premises for a Buddy's Retail Business, which range from 3,500 to 12,000 square feet. Buddy's Retail Businesses are usually located in strip centers or free-standing buildings.

(1) Initial Franchise Fee. The Initial Franchise Fee is $39,900. If, however, you sign a Development Agreement, the Initial Franchise Fee for the second and each subsequent Retail Business to be developed under the Development Agreement will be reduced to $25,000. As stated in Item 5, the Initial Franchise Fee also may be reduced if you qualify for one of our incentive programs.

(2) Improvements. The costs of construction and leasehold improvements depend upon the size and condition of the premises, whether the landlord will pay for some or all of the build-out, the nature and extent of leasehold improvements required (for example, there may be fewer required leasehold improvements in the case of a conversion), the local cost of contract work and the location of the Retail Business. If the landlord will pay for the build-out, you would only need to purchase signage. The estimate includes your architectural and engineering fees. This includes installation and wiring in connection with the Computer System, which could include obtaining a dedicated T1 Circuit and cabling/wiring.

(3) Furniture, Fixtures and Equipment. We will provide you with a list of the office furniture, trade fixtures and other equipment necessary for the operation of the Retail Business. The initial investment required will depend on financing terms available and, if you elect to require any optional items, will be higher.

(4) Computer System. Under the terms of the Technology Agreement, you will lease or license (as applicable) from us certain designated equipment, hardware, software, a telephone system, and, at your election, optional computer equipment for the setup of your Computer System. We also will provide certain related services under the Technology Agreement. The low end of the estimate represents the estimated Technology Fees for 3 months (the initial period) for required equipment, hardware, software, and services, and the high end of the estimate reflects the estimated Technology Fees for 3 months for required items, as well as optional computer equipment.

(5) Signs. You will need to purchase interior signage and in-store point-of-sale peripherals. This signage will cost between $200 to $1,200 depending upon the square footage of the Retail Business. We will purchase exterior signs for your Retail Business, which we estimate will vary in cost from $100 to $460 a month, and lease the signs to you for the first 5 years of your Franchise Agreement under the Signage Lease Agreement (see Exhibit F to this Disclosure Document). You may pre-pay the 5-year lease. After the initial 5-year term, you can renew the Signage Lease Agreement for $1 per month. The low end of the estimate represents the low end of the sign lease for 3 months (the initial period) plus the low end of interior signage purchase, and the high end of the estimate reflects the high end of the sign lease for 3 months (the initial period) plus the high end of the interior signage purchase.

(6) Three Months' Rent and Security Deposits for Lease and Utilities. You typically will rent the premises for the Retail Business. Rental amounts can vary depending upon the area in which the Retail Business premises are located, its size, the condition of the premises, the landlord's contribution to your leasehold improvements, and other factors. You may choose to purchase, rather than rent, real estate on which a building suitable for the Retail Business already is constructed or could be constructed. Real estate costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. Because of the numerous variables that affect the value of a particular parcel of real estate, this initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building.

In addition, landlords may require a security deposit, and utility companies may require that you place a deposit prior to installing telephone, gas, electricity and related utility services. A typical utility security deposit is one month's expense. A typical lease deposit will be an amount equal to one month's rent. These deposits may be refundable in accordance with the agreements made with the utility companies and landlord.

(7) Initial Inventory. Your initial inventory must be purchased from us or any approved suppliers. Initial inventory consists of various Approved Products (as defined in Item 8) used in the operation of the Retail Business as well as other merchandise or products offered for sale by the Retail Business. The initial inventory expenditure will vary according to anticipated sales volume and current market prices for supplies. As used in this Item 7, "initial inventory" is all inventory purchased to support the Retail Business in the first 90 days of operation.

(8) Insurance. You must procure and maintain throughout the term of the Franchise Agreement insurance in such amounts that, at a minimum, meet our requirements. The estimate is for approximately 25% of an annual premium. The balance of the annual premium is generally payable over a nine-month period. The cost of insurance will vary based on policy limits, type of policies procured, any lease

requirements, nature and value of physical assets, including company vehicles, number of employees, square footage, contents of the business, geographical location and other factors bearing on risk exposure.

(9) Training. You must make arrangements and pay the expenses for at least two people, including your General Manager, and any additional people we may require, to attend our initial training program, including transportation, lodging, meals and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodations you choose. The estimate provided contemplates initial training of two people for five to ten days.

(10) Grand Opening. You must conduct your "grand opening" advertising and promotion according to our written specifications. You must spend a minimum of $10,000 on these grand opening activities. This amount includes two months of advertising and general expenses. These amounts generally will be spent before and through the first 30 days of operation of the Retail Business, although in certain instances we will recommend a delay in grand opening promotional activities based on the weather or other related reasons.

(11) Professional Fees, Business Licenses and Permits. The estimate for professional fees, license and permits, including the cost for lawyers and accountants related to opening the Retail Business.

(12) Additional Funds. This amount of working capital is projected as sufficient to cover initial operating expenses, including management salaries, for a period of three months.

(13) Total. This total is an estimate of your initial investment and is based on our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document and our predecessors' over 60 years of experience.

DEVELOPMENT OF MULTIPLE RETAIL BUSINESSES UNDER DEVELOPMENT AGREEMENT – for a Minimum of Two Retail Businesses				
TYPE OF EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Development Fee	$64,900 (Note 1)	Lump Sum	Upon Signing of Development Agreement	Us
TOTAL (for development of first Retail Business) (Note 2)	$400,650 to $822,540 See Table above for range of development costs for each Retail Business			

Notes:

* Except where otherwise noted, we do not offer direct or indirect financing to developers for any items. Except where otherwise noted, all amounts that you pay to us or our affiliates are nonrefundable.

(1) Development Fee. Upon signing the Development Agreement, you must pay us the Development Fee. The Development Fee varies, and it will be an amount based on the number of Retail Businesses you

commit to developing. You must commit to developing a minimum of two Retail Businesses under the Development Agreement, and the total investment to begin operation if you acquire development rights (for a minimum of 2 Retail Businesses) is $400,650 to $822,540. You will pay 100% of the Initial Franchise Fee for each Retail Business to be developed under the Development Agreement ($39,900 for the first Retail Business and $25,000 for the second and each subsequent Retail Business) when you sign the Development Agreement.

(2) Total Initial Investment. For each Retail Business that you develop under a Development Agreement, you will execute a Franchise Agreement and incur the initial investment expenses for the development of a single Retail Business, as described in the first table in this Item 7. At the time that you sign each Franchise Agreement executed under the terms of the Development Agreement, you will not be required to pay an Initial Franchise Fee for the applicable Retail Business as the Initial Franchise Fee for that Retail Business was paid in full upon executing the Development Agreement.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To help ensure a uniform image and uniform quality of products and services throughout the System, you must maintain and comply with our quality standards. Any required standards exist to protect our interest in the System and the Trademarks and not for the purpose of establishing any control, or the duty to take control, over those matters that clearly are reserved to you.

We must consent to the location of the Retail Business, and you will enter into a lease with the landlord for the location. You and the landlord must execute the standard form of lease addendum (attached to the Franchise Agreement as Exhibit E).

You must construct and equip the Retail Business in accordance with our approved design, specifications and standards. In addition to meeting our design specifications and standards, it is your responsibility to ensure that your building plans comply with the Americans With Disabilities Act and all other federal, state and local laws.

Designated Sources

We will furnish you with lists of approved supplies and approved suppliers (including lists of Approved Products and Services). You must only use Approved Products and Services, equipment, fixtures, furnishings, signs, advertising materials, trademarked items, novelties and other items in construction and operation of your Retail Business as set forth in the approved supplies/services and approved suppliers lists we establish. We may approve and change the manufacturer or supplier for approved supplies/services. Certain approved supplies/services may only be available (due to their availability or our restrictions on whom you must purchase from) from one source or select suppliers designated by us, and we and/or our affiliates may be the only source. You will pay the then-current price in effect for approved supplies/services you purchase from us or our affiliates, and we and our affiliates will make a profit on those sales to you. All products, equipment, supplies, services and other items used in the operation of your Retail Business that are not included in approved supplies/services or approved suppliers lists must conform to the specifications and standards we establish periodically.

We may establish a distribution center, or designate a distributor(s) for the System, for Approved Products and Services and require System franchisees to purchase Approved Products and Services from our distribution center, or a distributor(s) designated by us (no matter if there are alternate suppliers/distributors for the Approved Products and Services that are available to you).

We establish and modify specifications and standards for approved products based on our ongoing review of using quality products through our affiliates' operation of its businesses and our communications with manufacturers and suppliers. Based on those ongoing events, we may revise the list of approved suppliers. We give you the updated approved lists as we believe is advisable.

If we permit any items to be submitted for approval as Approved Products and Services or permit any Approved Product and Service to be a source from a supplier other than our designated single-source supplier or other select suppliers designated by us, you may propose the item and/or a supplier not on our approved list for our prior written approval. We may require you to submit sufficient information, specifications and samples concerning the item or supplier for us to determine whether the item or supplier meets our criteria. You must reimburse us for all costs and expenses that we incur in reviewing the alternative item or supplier. Our determination of approved suppliers, brands, manufacturers, distributors or supplies/services will be based on a variety of criteria, which may include quality, conformity with our specifications, reputation, delivery capability, design, price, insurance, distribution methods, supplier considerations, and compatibility with the System. We generally will notify you of supplier approval or disapproval within 30 days of our receipt of all the information and samples we request, but, if you do not receive a response from us within 30 days, the supplier is considered disapproved. The supplier also may be required to sign a supplier agreement. We may re-inspect the facilities and products of any supplier of an approved supplier or item and revoke our approval of any supplier or item that fails to continue to meet any of our criteria.

We will send written notice of any revocation of an approved supplier or item. We may require you to immediately withdraw from supply in your Retail Business any Approved Products and Services or any other product or service which in our reasonable opinion (i) does not conform or no longer conforms with the standards, quality controls and specifications for products or services to be supplied in a Buddy's Retail Business; (ii) does not conform or no longer conforms with the range of products or services to be supplied in a Buddy's Retail Business; or (iii) is, or may be, a health or safety risk.

There may be certain products or goods that require minimum orders from suppliers which would be greater than any individual Buddy's Retail Business, in our experience, could reasonably make. In order to provide the opportunity for our franchisees to offer these certain products or goods, we or our affiliates may, periodically, purchase these products or goods in sufficient quantities to meet the supplier's minimum order requirements and then make these products or services available to our individual franchisees for sale at their Buddy's Retail Businesses.

If your Retail Business is located in the contiguous United States, you will purchase Approved Products and Services, excluding applicable services ("**Approved Products**"), through the Buddy's Purchasing Program ("**BPP**"), the requirements and terms of which are stated in the Operations Manual. In connection with the BPP, we will provide you purchasing support in the form of purchase order creation, monthly invoicing (currently, with payments made to us, which we will forward to the applicable approved and designated suppliers), reconciliation of invoices, and assistance in filing and tracking freight and warranty concerns. We will provide the foregoing services to you at no additional cost; however, we will retain any and all rebates received in connection with your purchases of Approved Products through the BPP. We reserve the right to change the requirements and/or terms of, and/or discontinue, the BPP at any time upon written notice to you. If you default under the Franchise Agreement or any other agreement with us, we may, in our sole discretion, upon written notice to you, suspend and/or terminate your participation in the BPP, and you will be required to establish direct credit lines with approved and designated suppliers for your purchase of Approved Products. In such event, the applicable approved and designated suppliers will submit your orders for Approved Products to our purchasing department, which will, in turn, create the purchase orders therefor. We will charge you 2% of the total invoice price for all purchase orders created by us under the terms of this paragraph. We will, in our sole discretion, determine the circumstances (if any) under which we will reinstate you into the BPP.

We and our affiliates reserve the right to receive rebates or other consideration from suppliers in connection with your purchase of these products or goods from us, including, as stated above, in connection with the BPP. The range and level of rebates are, in some cases, dictated by the suppliers or manufacturers, and often there are volume requirements that must be met or undertaken before these rebates are distributed to us and/or our affiliates. We and/or our affiliates will retain and use such payments as we deem appropriate or as required by the vendor. As of the date of this Disclosure Document, we and/or BHF Operating Company are currently the only approved suppliers of the signage you will obtain under the Signage Lease Agreement and the designated equipment, hardware and software components of the Computer System and the telephone system that you will obtain under the Technology Agreement. We and/or BHF Operating Company are also currently the only suppliers for our proprietary point-of sale software provided under the terms of the Software License Agreement. We, in conjunction with our approved or designated marketing vendors, provide marketing services and assistance to the Marketing Fund, including media placement, branding, design, social media management, and website and administrative services. We may require our franchisees to use us and/or our approved or designated marketing vendors for marketing services. We also may require any Marketing Cooperatives formed to use us and/or our approved or designated marketing vendors for marketing services. Except for BHF Operating Company, no affiliate is currently an approved supplier of any goods or services. During fiscal year 2025, the revenues of our predecessor, BFL, from required purchases or leases by franchisees were $3,395,832, or 22.6% of its total revenues of $15,003,424 for the same period, and Buddy's Newco received approximately $1,113,350 in payments from approved suppliers based on required purchases or leases by franchisees. The payment figures described in this paragraph are unaudited and internally generated. There are no approved, recommended or required suppliers in which any of our officers own an interest.

We may negotiate prices for products or services for the benefit of the System but not on behalf of individual franchisees. This does not guarantee that the price for these products or services will be lower than other similar products on the market. We do not have purchasing or distribution cooperatives as of the date of this Disclosure Document. You may use only marketing and promotional materials that meet our standards.

You must carry insurance policies protecting you, us, our affiliates and any other persons we designate by name. The insurance policies must be issued by a reputable insurance company licensed to do business in the state in which your Retail Business is located and have a Policyholders Rating of "A" or better, as assigned by A.M. Best Company, Inc., or comparable rating service, and must include, at a minimum, the coverages we specify in the Operations Manual or otherwise in writing. As of the date of this Disclosure Document, we require the following types and minimum amounts of insurance:

- Comprehensive general liability insurance, including products coverage at $1,000,000 combined single limit bodily injury and property damage per occurrence;
- Automobile liability insurance, including hired and non-owned auto liability at $1,000,000 combined single limits bodily injury and property damage per occurrence;
- Umbrella liability coverage at $1,000,000 annual policy aggregate limit;
- EPLI (Employment Practices Liability Insurance) coverage at $1,000,000. Coverage should include wage and hour defense as well as third party coverage;
- Workers' compensation coverage as required by law; and.
- Property coverage to protect the inventory, tenants' improvements and betterments, including business income coverage and fire legal liability at $1,000,000.

In addition, we recommend that you secure cyber coverage, including first- and third-party coverage, notification, fines and penalty coverage of $1,000,000 limit per occurrence and aggregate.

The required insurance coverage must commence as of the date the building lease begins, you commence construction of your Retail Business, or on the date you publicly disclose or identify the site as the site of your Retail Business, whichever occurs earlier. All insurance policies must name us and any of our affiliates that we designate as additional insureds and provide for 30 days' prior written notice to us of a policy's material modification or cancellation. You must deliver to us at commencement of coverage and annually, or at our request, a valid certificate of insurance or duplicate insurance policy, as we require, evidencing that you have maintained the required coverage and paid the applicable premiums. We may increase the amounts of coverage required and/or require different or additional insurance coverage at any time by providing written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the System, standards of liability and higher damage awards. As stated in Item 6, if you fail to obtain or maintain (or to prove that you have obtained or maintained) the required insurance, in addition to our other remedies, we have the right, but not the obligation, to obtain the required insurance coverage for you and your Retail Business on your behalf, in which event you will cooperate with us and reimburse us for all premiums and the costs and expenses that we incur in obtaining and maintaining the insurance.

We estimate that your payments to us and/or our affiliates and your purchase of products and services that meet our specifications and standards will represent approximately 67% to 90% of the cost to establish the Retail Business and approximately 30% to 60% of the cost to operate the Retail Business on an ongoing basis.

During the term of the Franchise Agreement, you must be a member in good standing of the Association of Progressive Rental Organizations and pay all applicable membership fees and any other fees required in connection with that membership.

We consider a variety of factors when determining whether to renew or grant additional franchises. The factors we consider include compliance with the requirements described in this Item 8.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise, Development and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 6 (a) of Franchise Agreement	Item 11
b. Pre-opening purchases/leases	Section 9 of Franchise Agreement	Items 5, 6 and 11
c. Site development and other pre-opening requirements	Section 9 of Franchise Agreement; Section 3 of Development Agreement	Items 5 and 11

Obligation	Section in Agreement	Disclosure Document Item
d. Initial and ongoing training	Sections 7 (b) and (c) of Franchise Agreement	Items 6 and 11
e. Opening	Section 6 (b) of Franchise Agreement; Sections 1 and 3.1 of Development Agreement	Item 8
f. Fees	Sections 5, 9(f), and 12 of Franchise Agreement; Sections 2 and 4.3 of Development Agreement	Items 5, 6, and 11
g. Compliance with standards and policies/Operating Manual	Sections 9 (h) and (i) of Franchise Agreement	Items 1, 7, 8 and 11
h. Trademarks and proprietary information	Section 10 of Franchise Agreement; Section 9 of Development Agreement	Item 13
i. Restrictions on products/services offered	Section 9 of Franchise Agreement	Items 8 and 16
j. Warranty and customer service requirements	Not applicable	Not applicable
k. Territorial development and sales quotas	Section 4 of Development Agreement	Item 12
l. Ongoing product/service purchases	Section 9 of Franchise Agreement	Items 6, 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 6 and 13(f)(vi) of Franchise Agreement	Item 8
n. Insurance	Sections 8 (d), (e), and (f) of Franchise Agreement	Items 7 and 8
o. Advertising	Section 12 of Franchise Agreement	Items 6 and 11
p. Indemnification	Section 8(c) of Franchise Agreement	Item 17
q. Owner’s participation/management/ staffing	Section 7 of Franchise Agreement	Item 15

Obligation	Section in Agreement	Disclosure Document Item
r. Records and reports	Sections 5(h), (j) and 9(q) of Franchise Agreement	Item 8
s. Inspections and audits	Section 5(k) and 9(k) of Franchise Agreement	Item 6
t. Transfer	Section 13 of Franchise Agreement; Section 7 of Development Agreement	Item 17
u. Renewal	Section 3 of Franchise Agreement	Item 17
v. Post-termination obligations	Section 15 of Franchise Agreement; Sections 6.2 and 8.2 of Development Agreement	Item 17
w. Non-competition covenants	Sections 8 (g),(h),(i),(j) of Franchise Agreement; Section 8 of Development Agreement	Item 17
x. Dispute resolution	Section 16 of Franchise Agreement; Section 9 of Development Agreement	Item 17
y. Personal Guaranty of spouse/owner/shareholders	Section 17(f) and Exhibit D of Franchise Agreement; Appendix C of Development Agreement	Item 15

ITEM 10
FINANCING

As described in Item 8, we require you to enter into the Technology Agreement to lease certain equipment and hardware, license certain software, and receive related services and the Signage Lease Agreement to lease certain signage. The Technology Agreement terminates upon expiration or termination of the Franchise Agreement or, if earlier, upon our delivery of written notice of termination to you. The Signage Lease Agreement is for the term of the Franchise Agreement. You cannot assign the Technology Agreement or Signage Lease Agreement without our prior written consent. The Technology Agreement is terminable at any time, with or without cause. The Signage Lease Agreement is terminable if you: fail to make a lease payment within 30 days after the due date; fail to cure any default within 30 days after receiving notice; make an assignment for the benefit of creditors, file for bankruptcy protection, become insolvent or take other similar actions; or the Franchise Agreement is terminated or expires. On default, under the Technology Agreement or Signage Lease Agreement, you must pay us all amounts due immediately.

Except as noted above, we do not offer direct or indirect financing or guarantee your financial obligations to third parties.

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Assistance:

Franchise Agreement. Before you open the Retail Business developed under the Franchise Agreement, we will:

1. Provide you with site selection guidelines and general building and design requirements for the Retail Business. You typically will lease or sublease the premises for the Retail Business from a third party. (Franchise Agreement, Sections 6(a), (c), (d) and (e))

2. Provide you with the Approved Products, Approved Suppliers and Approved Supplies Lists. (Franchise Agreement, Sections 9(a) and (b)) We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for Approved Products and Services. (Franchise Agreement, Section 9(g))

3. Provide you with access to a copy of the Operations Manual containing mandatory and suggested specifications, standards and operating procedures for the Retail Business. (Franchise Agreement, Section 4(a))

4. Approve all grand opening promotional materials and advertising to be used by you. (Franchise Agreement, Section 12(c))

5. Provide the initial training program described below. We provide this initial training program without charge; however, you must pay all expenses for you and your employees, including training materials, travel and living expenses. (Franchise Agreement, Section 7(b))

Development Agreement. Before you open a Retail Business developed under the Development Agreement, we will designate your Development Area and the Development Schedule with which you must comply in order to be in compliance with the Development Agreement. (Development Agreement, Section 1)

Ongoing Assistance.

Franchise Agreement. During the operation of the Retail Business, we will:

1. Maintain the Marketing Fund. (Franchise Agreement, Section 12(a))

2. Provide updates to the Approved Products, Approved Suppliers and Approved Supplies Lists. (Franchise Agreement, Section 9)

3. Make periodic visits to the Retail Business as we reasonably determine to be necessary to provide consultation and guidance. (Franchise Agreement, Section 4(c))

4. Provide refresher training courses, as we consider necessary, and require you to attend. We provide these training programs without charge; however, you must pay all expenses for you and your employees, including training materials, travel and living expenses. (Franchise Agreement, Section 7(c))

5. Furnish you periodically with updated and revised material for the Operations Manual. (Franchise Agreement, Section 4(a))

6. Provide you, through the BPP, purchasing support in the form of purchase order creation, monthly invoicing (currently, with payments made to us), reconciliation of invoices, and assistance in filing and tracking freight and warranty concerns. (Franchise Agreement, Section 9(f))

Development Agreement. The Development Agreement does not require us to provide any other assistance or services during the operation of the Retail Businesses. All ongoing obligations to you in approving your future locations will be provided according to the terms of any Franchise Agreements between you and us, including our then-current site selection guidelines.

Advertising and Websites

Recognizing the value of advertising and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, we may require you to spend and/or contribute up to 4.5% of your Gross Sales in any calendar year, to be allocated among, as determined by us: (1) the Marketing Fee; (2) a required minimum local marketing expenditure; and (3) a Marketing Cooperative contribution (if one is established for your region). (Franchise Agreement, Section 12). As of the date of this Disclosure Document, there are no franchisee advertising councils.

You (directly or through a Marketing Cooperative) may not use any marketing or promotional plans or materials until the materials have been submitted for our prior approval. If you do not receive written notice of approval from us within 14 days of the date of receipt by us of the samples or materials, we will be deemed to have disapproved them for your use. (Franchise Agreement, Section 12.(c))

Marketing Fund

We have established and administer the Marketing Fund. You must pay us the Marketing Fee, which, currently, is $175 per week. We may, however, increase the Marketing Fee periodically, upon written notice to you, but such increase may not exceed 2% of your annual Gross Sales. The Marketing Fee will be placed in the Marketing Fund that we own and manage. We may use the Marketing Fund to formulate, develop, and conduct marketing and promotion programs to promote the System and products in a form and media we determine in our sole judgment to be appropriate. Media used for any marketing program may include television, radio, newspapers, magazines, the internet and other written publications, which all may be local, regional or national in coverage. We may use national and regional marketing and advertising agencies periodically to create and place advertising and other marketing communications. We reserve the right to use the Marketing Fund to reimburse us for all costs that we incur related to the marketing and promotion programs, including the proportionate compensation of employees who devote time and render service in the conduct, formulation, development and production of the marketing and promotion programs or the administration of the Marketing Fund. Our affiliate-owned (and any company-owned) Buddy's Retail Businesses contribute to the Fund on the same basis as franchisees.

During fiscal year 2025, the Marketing Fund expenditures by our predecessor, BFL, were allocated as follows: approximately 89% on web-related marketing, 4% for general and administrative expenses, and 7% on production of advertising and other marketing materials.

We have no obligation to spend any amount on marketing in the Territory/Development Area where your Retail Business (es) are located. Marketing Fund contributions not spent in any fiscal year will be carried over for future use. The Marketing Fund is not a trust or escrow account, creates no fiduciary duties or obligations, and is our property. You have no property rights of any kind with respect to the monies in the Marketing Fund. Upon written request, we will provide you with an unaudited financial report showing receipts and disbursements of the Marketing Fund. The Marketing Fund will not be used for advertising principally directed at the sale of franchises.

You must also participate in any promotional programs and customer loyalty programs we establish, including (i) purchasing from us any cards, application forms and other materials for use in connection with the customer loyalty program, and (ii) honoring any customer loyalty points or rewards a customer has accrued whether from the Retail Business or elsewhere.

Local Marketing Expenditure

You must spend at least 2% of your Gross Sales on approved local marketing, advertising and promotion. We have the right, however, to increase your required minimum local marketing expenditure periodically, provided that, as stated above, the total amount you must pay or spend for your contributions to the Marketing Fund, your required minimum local marketing expenditures, and your Marketing Cooperative contributions in any calendar year will not exceed 4.5% of the Gross Sales of the Retail Business in that year. Within 30 days after the end of each quarter, you must provide us with itemization and proof of your local marketing expenditures and an accounting of the monies that you have spent for approved local marketing. If you fail to make (or prove that you made) the required minimum local marketing expenditure for any quarter, we may, in addition to and without limiting our other rights and remedies, invoice you for such shortfall. We will, at our election, contribute such shortfall to the Marketing Fund or spend such shortfall for local marketing for your Retail Business, with such local marketing to be determined by us in our sole discretion.

As discussed above, you must submit your marketing materials to us for approval (including print, electronic or other forms of media). We may provide to you, in the Operations Manual or otherwise in writing, information specifying the types of local marketing, advertising and promotional activities that qualify as local marketing, advertising and promotion under the Franchise Agreement.

Marketing Cooperatives

We have the right to designate local advertising markets (“**Marketing Cooperatives**”), and, if designated, you must direct some or all (as designated by us) of your local marketing expenditures to the Marketing Cooperative in your designated local advertising market. There currently are no Marketing Cooperatives. Each Buddy’s Retail Business (which includes any company-owned or affiliate-owned Retail Business) within a designated local advertising area will be a member of the applicable Marketing Cooperative, and each Buddy’s Retail Business will have one vote on all matters requiring a vote. We reserve the right to designate the bylaws that govern the operation of Marketing Cooperatives, although the bylaws cannot modify the voting structure stated in the previous sentence. We may also designate the amount that you must contribute to the Marketing Cooperative. Any dispute which arises in any Marketing Cooperative regarding the amount or usage of such local marketing expenditures will be resolved by us in our sole discretion.

Websites

Any Website (as defined below) is deemed “advertising” under the Franchise Agreement, and is subject to (among other things) our review and prior written approval before it may be used. The term “**Website**” means an interactive electronic document, contained in a network of computers linked by communications software. The term Website includes Internet and World Wide Web home pages. In connection with any Website, you agree to the following:

1. We may establish a Website to promote the Trademarks, any or all of the Approved Products and Services, Buddy's Retail Businesses and/or the System. We have the right to control all aspects of the Website, including its design, content, functionality, links to the Websites of third parties, and policies and terms of usage.

2. You may not establish a Website that uses or involves the Trademarks, or any of the Approved Products and Services, Buddy's Retail Businesses or the System.

3. We may designate one or more webpage(s) of any Website that we maintain to describe any of our franchisees and/or Buddy's Retail Businesses. We may limit and/or discontinue any or all webpages.

4. In addition to any other applicable requirements, you must comply with our policies for Websites (which we may issue periodically in the Operations Manual or otherwise in writing). (Franchise Agreement, Section 9(o))

Computer System

You must provide financial and business records and information to us according to reporting formats, methodologies and time schedules that we establish periodically, including through any intranet or extranet system we develop or implement or other online communications. You must use a computer system designated by us for the Retail Business (the "**Computer System**"), and you must have high speed internet access. We may access your Computer System, including through any intranet/extranet system we develop or implement, and retrieve, analyze, download and use all data and files stored or used on the Computer System. We may have independent access to all of this information for the Retail Business with no contractual limitation on our right to the information. You understand that the data storage, phone line, modem, communication software, internet access, internet email account and all additional hardware and software needed to implement and maintain these services is at your cost.

You must lease or license (as applicable) from us designated equipment, hardware and software as part of the Computer System and a telephone system and receive related services under the terms of the Technology Agreement. The Technology Fee is approximately $1,050 per month, but the specific amount will depend on the quantity and type of equipment leased, software licensed, and services provided (as discussed in the following paragraph) under the Technology Agreement. We may modify the amount of the Technology Fee to reflect additions, substitutions, deletions, or other modifications to the equipment, software, and services provided under the Technology Agreement, to reflect our then-current pricing for those items, and to recover any additional fees, charges, or costs that we incur in order to secure or maintain those items. The Software License Agreement, attached as Rider 1 to the Technology Agreement, grants you a license to use our proprietary point-of sale software. The payments due under the Software License Agreement are covered by the Technology Fee due under the Technology Agreement.

Under the terms of the Technology Agreement, we also will provide certain maintenance and support for the Computer System. We may require you to make periodic upgrades and updates to the Computer System, and there are no contractual limitations on the frequency and cost of this requirement. These costs may include user fees, software licensing fees or technical support fees. At times you may have the option to purchase upgrades or warranties on third-party software and equipment. We are unable to estimate the cost of any upgrades or warranties on third-party software and equipment because the cost will depend on your supplier and the options you select.

Site Selection and Build-Out

You must select the site for the Retail Business according to site selection guidelines we provide. For each proposed site for a Retail Business, you must complete and deliver to us for our review a complete site report and other materials and information we request. The Retail Business must be located at a site that we have accepted in writing. We will use our reasonable efforts to review and either accept or reject a site you propose within 30 days after receiving the complete site report and other materials and information we request. If we have not delivered to you written notice of our acceptance of a proposed site within 30 days after receiving the complete site report, that site will be considered rejected. We have the absolute right to reject any site that does not meet our criteria. You may not develop a Retail Business on the proposed site unless we have consented to the site in writing. Once you obtain our written consent, the site will become the Authorized Location designated on Exhibit A to the Franchise Agreement. The site selection factors considered by us in deciding whether or not to object to the location may include the following: (a) demographics; (b) traffic patterns; (c) visibility; (d) ability to reflect image to be portrayed by Buddy's Retail Businesses; (e) adequacy of signs and image; and (f) locations of competitors' stores.

You are required to open the Retail Business within 270 days from the signing of the Franchise Agreement and 150 days after the date the Authorized Location is designated, unless we grant you an extension of time. If you fail to open the Retail Business within the required timeframes stated in the Franchise Agreement, we will have the right to terminate the Franchise Agreement, without granting you an opportunity to cure the default.

If we determine, in our sole discretion, however, that you in good faith have used, and are continuing to use, your best efforts to open and commence operations of the Retail Business within the time periods stated in the preceding paragraph, upon your written request and execution of the withdrawal authorization form required by us, we may permit you to extend, for up to 12 months, the date by which you must open and commence operating the Retail Business. We are not obligated to extend the opening date. You must (1) make your written request for an extension before the expiration of the missed required opening date; and (2) have paid the entire Initial Franchise Fee. Only then will you be eligible for an extension program, which consists of monthly withdrawals by us from your account for the applicable extension period per the following schedule: $1,500 per month for each of the first 6 months of any extension and $2,500 per month for months 7-12 of any extension. These fees apply with respect to an extension granted with respect to a single Retail Business. The monthly extension fees will be drafted from the account specified in the withdrawal authorization form until the Retail Business opens. If, however, we grant you any extension, and we subsequently determine, in our sole reasonable discretion, that you are not using your best efforts to open and commence operations of the Retail Business within a reasonable period of time following the date of our grant of an extension, we may terminate the extension granted to you. The termination of any extension grant by us will be considered a default under Section 14(b)(ii)(C) of the Franchise Agreement. The monthly extension fees will not be refunded under any circumstances (including if we terminate the extension) and will not be credited against any fee payable to us (Franchise Agreement, Section 6(b)).

You are generally responsible for purchasing and installing the necessary equipment, signs, fixtures, opening inventory and supplies per our written specifications. You are also responsible for complying with all local ordinances and building codes and obtaining any required permits. We may require you to purchase some or all of these items from us, an affiliate of ours, or a designated third party.

Time Before You Open Your Business

We expect that you will open your Retail Business within 4 to 8 months after you sign the Franchise Agreement. However, as stated above, you are required to open the Retail Business within 270 days from the signing of the Franchise Agreement and 150 days after the date the Authorized Location is designated unless we grant you an extension of time, as detailed in the preceding section of this Item 11. If you fail to begin operations within the required timeframes stated in the Franchise Agreement, we may terminate the Franchise Agreement (Franchise Agreement, Section 6(d)).

Factors that may impact this length of time may include whether you have a site selected upon execution of the Franchise Agreement, your ability to obtain a site, prepare a site survey, arrange leasing and financing, make leasehold improvements, install fixtures, equipment, and signs, decorate the Retail Business, meet local requirements, and obtain inventory and similar factors.

Operations Manual

We will provide you with access to a copy of our Operations Manual. Our Operations Manual contains proprietary information and you must keep such information confidential. A copy of the Table of Contents for the current Operations Manual is attached as Exhibit I. The Manual has a total of 470 pages.

Training

Before you open the Retail Business, at least two individuals, including your General Manager and such other individuals as we designate, must attend and successfully complete to our satisfaction our initial training program. Your failure to successfully complete training may result in termination of the Franchise Agreement. In this case, we will refund any fees paid by you to us, less our reasonable expenses. Training generally occurs at our training facilities in Orlando, Florida, but we may schedule your training at a corporate location or other site located closer to you. We reserve the right, however, in our sole discretion, to conduct any and all training, classes, courses, meetings, and conferences virtually, telephonically, or otherwise. We offer the training program on either a quarterly or semi-annual basis as we determine necessary. You must pay for the salaries, fringe benefits, travel costs and expenses, and related costs for the individuals associated with you who attend the training program, but there is no separate fee for you and the other person to attend the initial training program, which is included in the Initial Franchise Fee.

INITIAL TRAINING PROGRAM

Subject	**Hours of Classroom Training**	**Hours of On-the-Job Training**	**Location***
Introduction and Expectations Online Courses	6 hours		Our Corporate office in Orlando, Florida
POS Software	8 hours	8 hours	Our Corporate office in Orlando, Florida
Daily Operations Opening Agreements Account Management Management Reports Closing	12 hours	1 Week	Our Corporate office in Orlando, Florida
Inventory Auditing (weekly) Serial/Model Maintain Transfers Service & Loaners	4 hours	3 hours	Our Corporate office in Orlando, Florida

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location*
Purchasing - Optional Ordering PO System Receiving	 1 hour 1 hour 2 hours	 .5 hour .5 hour 2 hours	 Our Corporate office in Orlando, Florida
Marketing	2 hours		Our Corporate office in Orlando, Florida
Franchise Audit Process	2 hours	4 hours	Our Corporate office in Orlando, Florida
Financials	2 hours		Our Corporate office in Orlando, Florida
PTS Financial Services	2 hours	2 hours	Our Corporate office in Orlando, Florida
TOTAL	Up to 42 hours	Up to 60 hours	

* As stated above, however, we reserve the right, in our sole discretion, to conduct any and all training, classes, courses, meetings, and conferences virtually, telephonically, or otherwise.

Teresa Hill and Chris Warso develop our online and field training. Teresa Hill is our Vice President of Operational Support and has 13 years of experience with, collectively, us and our predecessor, BFL, and 31 years of experience in the industry. Chris Warso is our Director of Training and Communication and has over 9 years of experience with, collectively, us and our predecessor, BFL, and 16 years of experience in the industry. Additional employees who have experience in some facet of the operation of a Buddy's Retail Business (for example, opening, operations or systems management) will assist in training. The instruction materials for the training consists of our Operations Manual and various presentations and demonstrations.

We may provide and require that your Principal Owner, General Manager and other employees we designate attend ongoing training not to exceed three days per year. If you designate a new General Manager after the initial training program, the General Manager must complete the training to our satisfaction, and we will provide training to the extent we can reasonably accommodate them in our regularly scheduled training course. In the event you are given a notice of default and the default relates, in whole or in part, to your failure to meet any operational standards, we may require as a condition of curing the default that your General Manager and any other employees that we deem appropriate again attend and successfully complete our training program. This training will be at your expense.

In addition, we may hold and require that your Principal Owner, General Manager or other designated employees attend, at your expense, any conference, meeting, convention or seminar to set forth new methods and programs for operation, training, management, sales or marketing.

ITEM 12
TERRITORY

<u>Franchise Agreement and Development Agreement</u>

The following describes how the Territory and Development Area are determined, and the rights that you and we have under the Franchise Agreement and Development Agreement.

Franchise Agreement

If the location for the Retail Business is known at the time that you sign the Franchise Agreement, (i) your Franchise Agreement will specify the location for Retail Business and (ii) the Territory will be determined by you and us before you sign the Franchise Agreement and described in the Franchise Agreement. The size and scope of the Territory will be contained in the Franchise Agreement. There is no minimum Territory, and we will determine the Territory on a case-by-case basis. We anticipate that a typical territory will contain about 4,000 to 7,000 households and will be a 1-to 3-mile radius from the Retail Business. The factors that we consider in determining the size of a Territory include current and projected market demand, demographics and population, growth trends of population, apparent degree of affluence of population, the density of residential and business entities, presence of other businesses, location of competitors, traffic patterns, access and visibility, location of other Buddy's Retail Businesses, our future development plans and other market conditions, and major topographical features which clearly define contiguous areas (like rivers, mountains, major freeways, and underdeveloped land areas). In considering the boundaries of the Territory, we may use the most current data from any demographic information provider and/or public information (including public information available on counties, municipalities, zip code, voting districts) we deem appropriate. If the location for the Retail Business is not known when you sign the Franchise Agreement, we will designate the Territory once we authorize a location for the Retail Business, and the location for the Retail Business and Territory will be documented in an addendum to the Franchise Agreement. The territories for Buddy's Retail Businesses may have overlapping customer bases.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

During the term of the Franchise Agreement, we will not establish, nor franchise any other person to establish or operate a Buddy's Retail Business in the Territory, except as may be permitted under the Franchise Agreement, as further detailed below. There are no circumstances under which the Territory may be altered unilaterally prior to expiration or termination of the Franchise Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, market penetration or other factors, other than compliance with the Franchise Agreement. Except as described below, you will have no right of first refusal and, unless you sign the Development Agreement, you will not have any similar rights to acquire additional franchises or establish additional Buddy's Retail Businesses.

You do not have the right to relocate the Retail Business without our prior written authorization. If it becomes necessary to relocate your Retail Business due to condemnation, destruction or expiration or cancellation of your lease for reasons other than your breach of the contract, we will grant you the right to do so at a site acceptable to us that is within the Territory, is reasonably suited for a Buddy's Retail Business, does not infringe on the rights of any other Buddy's franchisee, and is reasonably distant from other Buddy's Retail Businesses; provided, however, that (i) your new Retail Business is open and operating within 120 days after discontinuing operation of your Retail Business at the Authorized Location, all in accordance with our current standards at that time; and (ii) you reimburse us for our costs and expenses incurred in connection with the relocation (including legal fees and time spent by our employees).

You may not solicit and sell products or services identified by the Trademarks to customers and prospective customers residing outside the Territory and Development Area through any other channels of distribution, including by catalog, telemarketing, the Internet or other direct marketing. You may only sell products and services from your Authorized Location.

Development Agreement

If you sign a Development Agreement, the Development Agreement will specify a Development Area, within which you may locate potential sites for Retail Businesses, subject to our approval and according to our then-current site selection guidelines. The size and scope of the Development Area will be contained in the Development Agreement and will be determined on a case-by-case basis. The factors that we consider in determining the size of a Development Area include current and projected market demand, demographics and population, traffic patterns, location of other Buddy's Retail Businesses, the financial and other capabilities of the developer, and our development plans.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

During the term of the Development Agreement, if you are in full compliance with the obligations under the Development Agreement and Development Schedule and any other agreements between you and your affiliates and us and our affiliates, we will not operate, nor license any other person to establish or operate, a Buddy's Retail Business in the Development Area, except as may be permitted under the Development Agreement, as further detailed below. If you fail to execute any Franchise Agreement by any execution deadline; comply with the Development Schedule; an event occurs which gives us the right to terminate any Franchise Agreement; or you breach or otherwise fail to comply fully with any provision contained in the Development Agreement, we may terminate the Development Agreement, extend any deadlines for a single Retail Business or multiple Retail Businesses for any period that we determine and charge you an extension fee that we specify for such extension, or reduce the size of the Development Area to a lesser area that we determine. There are no other circumstances under which the Development Area may be altered unilaterally prior to expiration or termination of the Development Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, market penetration, or other factors, other than compliance with the Development Agreement and Development Schedule.

Your rights in the Development Area will not apply to Buddy's Retail Businesses (or their related territories) operating when you sign the Development Agreement, approved for development or under development in the Development Area when you sign the Development Agreement.

Our Reserved Rights (Franchise Agreement and Development Agreement)

Under the Franchise Agreement and Development Agreement, we and our affiliates retain all the rights that we do not specifically grant to you. Among the rights that we and our affiliates retain are the following (the following list is only for purposes of illustration and is not meant to limit our and our affiliates' rights):

(1) establish and operate, and grant others the right to establish and operate, Buddy's Retail Businesses at any location outside the Territory/Development Area regardless of the proximity of such Buddy's Retail Businesses to the Territory/Development Area;

(2) establish and operate, and grant others the right to establish and operate, on any terms and conditions that we deem appropriate, retail businesses, including Competitive Businesses (as defined in Item 17), or any similar or dissimilar businesses that are not primarily identified by the Trademarks at any locations, whether within or outside the Territory/Development Area;

(3) solicit and sell products or services to customers and prospective customers residing within the Territory/Development Area, including by any method of distribution (other than the operation of a Retail Business in the Territory/Development Area (except as provided below under "Conversion of Non-

System Store")), including by catalog, direct advertising over the Internet, or other electronic means. We are not required, nor will we, pay any compensation to you for soliciting or accepting orders from customers located in your Territory/Development Area;

(4) merge with, acquire, establish or become associated with any businesses or locations of any kind under other systems and/or other marks, which businesses and locations may offer or sell items, products and services that are the same as or similar to the Approved Products and Services offered at or from the Retail Business(es) and which may be located anywhere within or outside the Territory and Development Area. Except as provided below under "Conversion of Non-System Store," we may not grant a Competitive Business the right to use the Trademarks at a location in the Territory/Development Area; and

(5) engage in any other business activities not expressly prohibited by the Franchise Agreement and Development Agreement, both within and outside the Territory and Development Area.

Conversion of Non-System Store. If we acquire or any of our affiliates acquires any store operating under different trademarks that sells or leases the same, similar or different products and services as those sold or leased by Buddy's Retail Businesses (each a "**Non-System Store**") within the Territory and/or Development Area, and we and/or our affiliates desire to convert the Non-System Store to a Buddy's Retail Business operating under the Trademarks, we will deliver to you a written notice of the intent to convert (each, a "**Conversion Notice**"). Provided that you are in compliance with all of the provisions of the Franchise Agreement and Development Agreement and no default, or event which with the giving of notice or passage of time or both would become a default, exists under those agreements or any other agreement between you and us, you will have the option, exercisable within 30 days after receipt of the Conversion Notice, to purchase the Non-System Store and convert it to a Buddy's Retail Business operating under the Trademarks by notifying us in writing. If you elect to purchase and convert the Non-System Store, you must consummate the purchase and execute our then-current franchise agreement and pay our then-current initial franchise fee (or, at our option, execute an amendment to any applicable Franchise Agreement and pay our then-current initial franchise fee) within 30 days from the date of your notice to us of your election to purchase and convert. If we or our affiliate purchased the Non-System Store during the 180 days prior to our delivery of the Conversion Notice to you, the purchase price to be paid by you will be the cash equivalent of the consideration paid by us or our affiliate for the Non-System Store (or, if we or our affiliate purchased the Non-System Store in a transaction which was for more than one Non-System Store, the cash equivalent of our or our affiliate's proportionate per store cost, as determined by us or our affiliate in our or its sole discretion). In addition to the purchase price payable for the Non-System Store, you will reimburse us or our affiliate for the costs and expenses incurred by us or our affiliate in connection with the acquisition of the Non-System Store (prorated if the Non-System Store was acquired as part of a multiple store purchase). You acknowledge that the value of the Non-System Store may diminish during the 180-day period after our or our affiliate's acquisition of the Non-System Store. If we or our affiliate did not purchase the Non-System Store during the 180 days prior to delivery of the Conversion Notice, the purchase price, which will be paid in cash, will be the fair market value of the Non-System Store. If the parties cannot agree on fair market value within a reasonable time, the fair market value will be determined by two independent appraisers, one of whom will be chosen by us or our affiliate and the other of whom will be chosen by you. If the appraisers cannot agree on the fair market value, they will jointly choose a third independent appraiser whose decision will be final and binding. Each party will bear the cost for its chosen appraiser, and the cost for a third appraiser, if any, will be shared equally between you and us or our affiliate. If you do not elect to purchase and convert the Non-System Store, we may convert and operate, or license a third party to convert and operate, the Non-System Store as a Buddy's Retail Business operating under the Trademarks, without incurring any liability to you. Neither we nor our affiliates are obligated to convert any Non-System Store to a Buddy's Retail Business, and we and our affiliates may operate any Non-System

Store or any other competitive business under different trademarks and may operate or franchise a different line of business.

<u>Operation or Franchising of Similar Businesses Under Different Trademarks by Us or Our Affiliates</u>

We do not operate or franchise, or currently plan to operate or franchise, any business under a different trademark that sells or will sell goods or services similar to those that our Buddy's Retail Business franchisees sell; however, our affiliates may operate and/or franchise businesses under a different trademark that sell similar goods or services to those that our Buddy's Retail Business franchisees sell. As of the date of this Disclosure Document, Blue Ocean Brands LLC, an entity in which our affiliate has a minority interest, operates rent-to-own stores under the "Majik" trade name in Pennsylvania and has done so since 1984.

ITEM 13
TRADEMARKS

Under the Franchise Agreement, we license you to use the Trademarks. The Development Agreement does not authorize you to use the Trademarks. We intend to file all required affidavits and renewals for the Trademarks listed below. We also claim common law trademark rights for all of the Trademarks.

Trademark	Principal or Supplemental Register	Registration Date	Registration Number
BUDDY'S HOME FURNISHINGS	Principal	January 28, 2020	5,971,883
BUDDY'S HOME FURNISHINGS (design)	Principal	June 20, 2023	7,084,804

Your use of the Trademarks and any goodwill is to our exclusive benefit, and you retain no rights in the Trademarks upon expiration or termination of your Franchise Agreement. You are not permitted to make any changes or substitutions of any kind in or to the use of the Trademarks unless we direct in writing. We may also designate the Trademarks you are licensed to use in the Operations Manual. You must comply within a reasonable time if we notify you to discontinue or modify your use of any Trademark. We will have no liability or obligation as to your modification or discontinuance of any Trademark.

There are currently no effective material determinations by the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the Trademarks. There are no currently effective agreements that significantly limit our rights to use or license the use of any Trademarks in any manner material to the franchise. There are no infringing uses actually known to us that could materially affect your use of the Trademarks.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Trademarks, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to the Trademarks and we have the sole right to decide to pursue or settle any infringement actions related to the Trademarks. You must notify us promptly of any infringement or unauthorized use of the Trademarks of which you become aware. If we determine that a trademark infringement action requires changes or substitutions to the Trademarks, with limited exceptions described in the Franchise Agreement, you must make the changes or substitutions at your own expense, except that we will reimburse you for the cost of any new signage.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents, patents pending or copyrights that are material to the franchise. We or BHF Operating Company claim copyright ownership in and protection for the operation and training manuals, our web site, and various sales, promotional and other materials published periodically.

There are no currently effective determinations of the Copyright Office (Library of Congress), United States Patent and Trademark Office, Board of Patent Appeals and Interferences, or any court, or any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any patents or copyrights. There are currently no agreements in effect that significantly limit our rights to use or license the use of any patents or copyrights in any manner material to the franchise. There are no infringing uses actually known to us that could materially affect your use of the patents or copyrights.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents or copyrights, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to any patents and copyrights, and we have the sole right to decide to pursue or settle any infringement actions related to the patents or copyrights. You must notify us promptly of any infringement or unauthorized use of the patents or copyrights of which you become aware.

You must keep confidential during and after the term of the Franchise Agreement all Confidential Information. "**Confidential Information**" means all proprietary information, knowledge, know-how, drawings, technology, marketing plans, strategic plans, business techniques, Consumer Data (as defined below), methods of operation, procedures, supplies, computer systems and programs, the website, domain names and other online communications access and identification codes, data and statistics with respect to the System provided by us or our affiliates in the ordinary course of business, in any form, including the Operations Manual and the System Standards, regardless of whether such are labeled confidential, proprietary or trade secret. Confidential Information does not include information which is already in the public domain. "**Consumer Data**" means, collectively, the names, addresses, telephone numbers, e-mail addresses, dates of birth, demographic or related information, buying habits, preferences, credit-card information, and other personally-identifiable information of customers

Upon termination or expiration of your Franchise Agreement, you must return to us all proprietary information, including all copies of the Operations Manual and all other copyrighted material. You must notify us immediately if you learn about an unauthorized use of proprietary information. We are not obligated to take any action, and we have the sole right to decide the appropriate response to any unauthorized use of proprietary information. You must comply with all changes to the System (as then described in the Operations Manual) at your cost.

You must comply with our reasonable instructions regarding the organizational, physical, administrative, and technical measures and security procedures to safeguard the confidentiality and security of Consumer Data and, in any event, employ reasonable means to safeguard the confidentiality and security of Consumer Data. You must comply with all laws governing the use, protection, and disclosure of Consumer Data. If there is a suspected or actual breach of security or unauthorized access involving the Consumer Data (a "**Data Security Incident**") at or in connection with your Retail Business, you must notify us immediately after becoming aware of the actual or suspected occurrence, specify the extent to which Consumer Data was compromised or disclosed, and comply and cooperate with our instructions for addressing the Data Security Incident in order to protect Consumer Data and the BUDDY'S HOME FURNISHINGS brand (including giving us or our designee access to your Computer System, whether remotely or at your Retail Business). We (and our designated affiliates) have the right, but not the obligation, to take any action or pursue any proceeding or litigation with respect to the Data Security

Incident, control the direction and handling of such action, proceeding, or litigation, and control any remediation efforts.

We are the sole owners of the Retail Business's customer lists (the "**Customer Lists**"), and you may not distribute the Customer Lists to any third party, in any form or manner, without our prior written consent. You may, however, use the Customer Lists for the operation of your Retail Business and as permissible under the Franchise Agreement. During the term of the Franchise Agreement, we and our affiliates reserve the right to communicate with and provide notifications to customers appearing on the Customer Lists and to use the Customer Lists for any business purpose we and they deem necessary or appropriate (to the extent allowed by applicable law). Upon expiration (without a successor franchise) or termination of this Agreement, you and your affiliates may not use the Customer Lists in any form or manner.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

During the term of the Franchise Agreement, you or your General Manager must devote full time and best efforts to the management of the Retail Business. You may operate the Retail Business with a General Manager who is not your Principal Owner only with our express written permission. Your Retail Business must at all times be under the direct supervision of the General Manager. Any individual who will serve as your General Manager must satisfy any requirements or qualifications that we establish for general managers under the System and attend and complete any training program we require for general managers. Your General Manager is not required to hold any amount of equity interest in the Retail Business. You, your General Manager, and any other individuals we designate must complete our training course. The use of a General Manager in no way relieves you of your obligations to comply with the Agreement and to ensure that the Retail Business is properly operated.

All shareholders, officers, directors, partners, members and all managers and other employees having access to our proprietary information must execute non-disclosure agreements in a form we accept.

All Principal Owners and any other person or business entity that owns, directly or indirectly, a 10% or greater interest in you must sign a Personal Guarantee (attached as Exhibit D to the Franchise Agreement), under the terms of which they will be bound, jointly and severally, by all provisions of the Franchise Agreement. We may also require these guarantors' spouses to sign the Personal Guarantee if the guarantors do not satisfy our financial qualifications to become a franchisee. Under the Development Agreement, any person or business entity that owns, directly or indirectly, a 10% or greater interest in you must sign a Payment and Performance Guarantee (attached as Appendix B to the Development Agreement). As with the Franchise Agreement, we may also require these guarantors' spouses to sign the Payment and Performance Guarantee.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale at the Retail Business only Approved Products and Services, and you may not offer at the Retail Business any products and services that have not been approved by us or use the premises for any purpose other than the operation of the Retail Business. We have the unlimited right to change the types of Approved Products and Services you may offer.

You also may not offer for sale any products or services through the internet or other online programming or advertising, mail order or other direct marketing channels. You are not otherwise limited in the customers to whom you may sell products or services.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

FRANCHISE AGREEMENT

	Provision	Section in Agreement	Summary
a.	Length of the term of the franchise	3(a)	Term of franchise is 10 years.
b.	Renewal or extension of the term	3(b)	Renewed for one additional 10-year term.
c.	Requirements for you to renew or extend	3(b)	You give us written notice of your decision to renew at least 12 months but not more than 18 months before the end of the expiring term; at our sole option, you sign our then-current form of franchise agreement, which may contain terms materially different than the original Franchise Agreement; you are not in default of the Franchise Agreement or any other agreement with us or our affiliates and have substantially complied with the Franchise Agreement and any other agreement with us or our affiliates; you pay us a renewal fee; if leasing, you have written proof of your ability to remain in possession of the premises of the Retail Business throughout the renewal term; you comply with our training requirements; and you sign a release.
d.	Termination by you	14(c)	You may terminate the Franchise Agreement only for a material breach by us, provided you give us written notice of the breach and allow 30 days to cure the breach and, if not cured, wait 60 days from the original notice of breach before terminating the Franchise Agreement (subject to state law).
e.	Termination by us without cause	Not applicable	Not applicable.
f.	Termination by us with cause	14(b)	We can terminate the Franchise Agreement if you default or fail to comply with your obligations.

	Provision	Section in Agreement	Summary
g.	"Cause" defined – defaults which can be cured	14(b)(i)	You have 10 days to cure the non-submission of reports and non-payment of amounts due and owing; and 30 days to cure defaults for the failure to abide by our standards and requirements in connection with the operation of your business, or failure to meet any requirements or specifications established by us, and any other default not listed in h below.
h.	"Cause" defined – defaults which cannot be cured	14(b)(ii)	Non-curable defaults include: material misrepresentation or omission in written data furnished to us, abandonment, loss of lease, the failure to timely cure a default under the lease, the loss of your right of possession or failure to relocate, insolvency, unapproved assignments or transfers, convictions, unauthorized use of Confidential Information, intentionally understating or underreporting Gross Sales or other fees, multiple defaults, or failure to cure within 24 hours of notice a default which materially impairs the goodwill associated with any of our Trademarks.
i.	Your obligations on termination/non-renewal	15	Obligations include complete de-identification and payment of amounts due, assignment of lease upon our demand and telephone numbers, return of Operations Manual and related writings, and proprietary materials and right to purchase assets of the Retail Business (also see o and r below).
j.	Assignment of contract by us	13(a)	No restrictions on our right to assign.
k.	"Transfer" by you - defined	13(b)	Includes any transfer of any interest in the Franchise Agreement, your Retail Business, the Authorized Location, the lease for the Authorized Location or substantially all of the assets of your Retail Business or, if you are a business entity, the transfer of any ownership interests in you.
l.	Our approval of transfer by you	13(c)	We have the right to approve all transfers.
m.	Conditions for our approval of transfer	13(f)	Transferee meets all of our then-current requirements for new franchisees and signs then-current form of franchise agreement, all amounts owed by prior franchisee paid, required modernization is completed, training completed by transferee and transfer fee paid, required guarantees signed, necessary financial reports and other data on franchise business is prepared, and release signed by you and personal guarantors (also see r below).

	Provision	Section in Agreement	Summary
n.	Our right of first refusal to acquire your business	13(h)	We can match any offer for the interest that you propose to transfer, except that we will waive our right of first refusal in the case of a Principal Owner who dies or becomes incapacitated or disabled, and the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person.
o.	Our option to purchase your business	15(b)	Upon expiration or termination of the Franchise Agreement, we have the right, but not the obligation, to purchase some or all of the Lease Contracts, inventory, supplies, equipment and fixtures utilized by you in the operation of your Retail Business, excluding inventory, supplies, equipment and fixtures not customarily utilized in Buddy's Retail Businesses operated by us and our affiliates and any factor or increment for any goodwill or "going concern. If we exercise our option to purchase these assets, you will assign to us or our designee your interest in any lease or sublease for the premises of your Retail Business, and we agree to assume your obligations thereunder, subject to any consents that may be required from your landlord under such lease or sublease
p.	Your death or disability	13(g)	You can transfer your franchise rights to your heir or successor in interest like any other transfer, provided the person satisfies our training requirements and other transfer conditions, but if assignee is your spouse or child, no transfer fee is required. During any transition period, we have the right to assume management and control of the Retail Business.
q.	Non-competition covenants during the term of the franchise	8(h), 8(j), and 8(k)	No interest in Competitive Business; no diverting business. "**Competitive Business**" means any rent-to-own, rental purchase, lease purchase, or other business that sells, leases, or rents home furnishings, electronics, or appliances through any channel, including businesses conducted by means of retail outlets, the Internet, or direct marketing (subject to state law). In addition, during the term of the Franchise Agreement, you may not, without our prior written consent, directly or indirectly, divert, or attempt to divert, any business or customer of your Retail Business or any other Buddy's Retail Business away from the System. If you fail to comply with any of the covenants not to compete, you will pay us partial liquidated damages (as detailed in Item 6).

	Provision	Section in Agreement	Summary
r.	Non-competition covenants after the franchise is terminated or expires	8(i), 8(j), and 8(k)	No direct or indirect involvement in a Competitive Business for 1 year (i) at the premises of the Retail Business, (ii) in the Territory, (iii) within 15 miles of the Territory or (iv) within 15-mile radius of any other Buddy's Retail Business (subject to state law). In addition, during the one-year period following the term of the Franchise Agreement, you may not, without our prior written consent, directly or indirectly, divert, or attempt to divert, any business or customer of your Retail Business or any other Buddy's Retail Business away from the System. If you fail to comply with any of the covenants not to compete, you will pay us partial liquidated damages (as detailed in Item 6).
s.	Modification of the Agreement	17(b)	Subject to our rights to modify the System, System Standards, Operations Manual, Trademarks, Approved Products and Services, and supplier lists, the Franchise Agreement may not be modified, except by a writing signed by you and us.
t.	Integration/merger clause	17(b)	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside of the Franchise Agreement and this Disclosure Document may not be enforceable.
u.	Dispute resolution by arbitration or mediation	16	Solely at our option, we have the right to mandate that all claims or disputes between you and us or our affiliates arising from the Franchise Agreement that are not first resolved through our internal dispute resolution procedures be submitted to mediation (under the auspices of the American Arbitration Association (the "**AAA**") under the terms of the AAA's Commercial Mediation Rules then in effect) before the arbitration provisions in the Franchise Agreement are triggered. Except for certain claims, all disputes must be submitted for binding arbitration to the AAA in the city where our headquarters is located (currently Orlando, Florida), subject to state law.
v.	Choice of forum	17(i)	Subject to arbitration requirement, litigation generally must be in the applicable state or federal district court where our headquarters are located (currently, Orlando, Florida), subject to state law.

	Provision	Section in Agreement	Summary
w.	Choice of law	17(h)(i)	Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1964, or other applicable federal law, Florida law will govern any dispute relating to the Franchise Agreement or any other agreement between you (or your Principal Owners) and us (or our affiliates) relating to your Retail Business (subject to state law).

This table lists certain important provisions of the development agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

DEVELOPMENT AGREEMENT

	Provision	Section in Agreement	Summary
a.	Length of the term of the franchise	Section 5	Begins on the Effective Date of the Development Agreement and ends, unless sooner terminated, on the last opening deadline date specified in the Development Schedule.
b.	Renewal or extension of the term	Section 5	No renewal rights.
c.	Requirements for you to renew or extend	Not Applicable	Not Applicable
d.	Termination by you	Not Applicable	Not Applicable (subject to state law)
e.	Termination by us without cause	Not Applicable	Not Applicable
f.	Termination by us with cause	Section 6.1	Development Agreement can only be terminated for cause.
g.	"Cause" defined – defaults which can be cured	Not Applicable	Not Applicable
h.	"Cause" defined – defaults which cannot be cured	Section 6.1	You fail to timely execute a Franchise Agreement; you fail to have open and operating the minimum number of Retail Businesses specified in the Development Schedule at any deadline; any Franchise Agreement is subject to termination as a result of default; or you breach or otherwise fail to comply fully with any provision of the Development Agreement.
i.	Your obligations on termination/non-renewal	Section 6.2	You will lose your right to develop additional Retail Businesses.
j.	Assignment of contract by us	Section 7	No restriction on our right to assign.

	Provision	Section in Agreement	Summary
k.	"Transfer" by you - defined	Section 7	Includes transfer of the Development Agreement, any interest in the Development Agreement, or, if you are a business entity, any equity interest in you
l.	Our approval of transfer by you	Section 7	We have the right to approve or not approve all transfers in our sole discretion.
m.	Conditions for our approval of transfer	Section 7	We have no obligation to approve any transfer.
n.	Our right of first refusal to acquire your business	Section 7	We have the option to match a bona fide offer.
o.	Our option to purchase your business	Not Applicable	Not Applicable
p.	Your death or disability	Not Applicable	We have the right to approve or disapprove any transfer in our sole discretion.
q.	Non-competition covenants during the term of the franchise	Section 8.1	No interest in Competitive Business; no act injurious or prejudicial to the goodwill associated with the Trademarks and the System, no use or duplication of the System (subject to state law).
r.	Non-competition covenants after the franchise is terminated or expires	Sections 8.2	No direct or indirect involvement in a Competitive Business for 12 months (i) in the Development Area, (ii) a 10-mile radius of the Development Area or (iii) within 15-mile radius of any other Buddy's Retail Business (subject to state law).
s.	Modification of the Agreement	Section 9	The Development Agreement may not be modified, except by a writing signed by you and us.
t.	Integration/merger clause	Section 10	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside of the Development Agreement and this Disclosure Document may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 9	Except for certain claims, all disputes must be arbitrated in the city where our headquarters is located (currently Orlando, Florida), subject to state law.
v.	Choice of forum	Section 9	Subject to arbitration requirement, litigation generally must be in the applicable state or federal district court where our headquarters are located (currently, Orlando, Florida), subject to state law.
w.	Choice of law	Section 9	Except for claims under federal trademark law, and the parties' rights under the Federal Arbitration Act, Florida law will govern any dispute (subject to state law).

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote the franchise. No public figure is involved in our actual management or control.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

This Item 19 includes information regarding franchised Buddy's Retail Businesses ("Franchised Businesses") and Buddy's Retail Businesses owned during the reporting period by our predecessor, Buddy's Newco ("Company-owned Businesses"). Company-owned Businesses for which information is included in this Item 19 are similar to your Retail Business in the products and services offered, although all Buddy's Retail Businesses are not identical in size or appearance.

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Average Annual Gross Sales
for Fiscal Year 2025 Franchised Businesses

At the end of fiscal year 2025, there were 191 Franchised Businesses, 3 of which opened after December 28, 2024. Tables 1-A and 1-B include certain information regarding the actual historical average annual Gross Sales for fiscal year 2025 for the 188 Franchised Businesses that operated for all of fiscal year 2025 (the "2025 Franchised Businesses"). The 107 Franchised Businesses that closed during fiscal year 2025, none of which Franchised Businesses closed after being open less than 12 months, have not been included in the data set for these Tables.

Description of Table 1-A

Table 1-A reflects, for fiscal year 2025, the actual historical average annual Gross Sales for each quartile and all 2025 Franchised Businesses. The 2025 Franchised Businesses are of varying sizes and located in both urban/metro markets and suburban markets and in strip centers and free-standing locations.

Table 1-A
Statement of Average Gross Sales
Buddy's Home Furnishings Franchise Retail Businesses Open at Least 12 Months
Fiscal Year 2025

	Top Quartile		**2nd Quartile**		**3rd Quartile**		**4th Quartile**		**All**	
Sales	Average	%	Average	%	Average	%	Average	%	Average	%
Rental Revenue (Note 1)	$ 1,096,900	96.0%	$ 729,025	95.7%	$ 568,233	95.6%	$ 401,960	94.4%	$ 699,030	95.6%
Other Revenue (Note 2)	$ 46,189	4.0%	$ 32,777	4.3%	$ 26,227	4.4%	$ 23,792	5.6%	$ 32,246	4.4%
Gross Sales (Note 3)	**$1,143,089**	100.0%	**$ 761,803**	100.0%	**$594,461**	100.0%	**$425,752**	100.0%	**$731,276**	100.0%
Number of Retail Businesses in Sample	47		47		47		47		188	

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Description of Table 1-B

Table 1-B is the derivation statement for the average annual Gross Sales information included in Table 1-A and reflects, for fiscal year 2025, for each quartile and all 2025 Franchised Businesses, the actual historical lowest Gross Sales, highest Gross Sales, average Gross Sales, median Gross Sales, and the number and percent of 2025 Franchised Businesses meeting or exceeding average Gross Sales. This information is calculated for each category in the Table and does not represent one 2025 Franchised Business across all categories. Thus, the lowest and highest numbers for a particular category may represent results for different 2025 Franchised Businesses.

	TABLE 1-B Derivation Statement of Average Gross Sales Buddy's Home Furnishings Franchise Retail Businesses Open at Least 12 Months Fiscal Year 2025				
Total Gross Sales	**Top Quartile**	**2nd Quartile**	**3rd Quartile**	**4th Quartile**	**All**
Min	$ 881,120	$ 670,993	$ 522,516	$ 210,242	$ 210,242
Max	$ 2,027,133	$ 864,746	$ 669,385	$ 518,702	$ 2,027,133
Average	**$ 1,143,089**	**$ 761,803**	**$ 594,461**	**$ 425,752**	**$ 731,276**
Median	$ 1,045,860	$ 770,326	$ 593,405	$ 453,279	$ 670,189
Stores >= average	17	24	23	29	78
Percent >= average	36%	51%	49%	62%	41%
Number of Retail Businesses in Sample	**47**	**47**	**47**	**47**	**188**

Analysis of 48-Month Gross Sales Ramp-Up

for Ground-Up Franchised Businesses Opened After January1, 2020

Table 2-A sets forth certain actual historical information regarding Gross Sales ramp-up for the first 48 months of operation for Franchised Businesses that: (a) commenced operations after January 1, 2020; (b) had operated for at least one full month as of December 31, 2025; and (c) were developed from the ground-up, and have at all times been owned and operated, by Buddy's franchisees ("Ground-Up Franchised Businesses"). Only 27 of the 191 Franchised Businesses operating as of the end of fiscal year 2025 met the preceding criteria for inclusion in the Ground-Up Franchised Businesses data set for Tables 2-A and 2-B. There were no Franchised Businesses that met the preceding criteria but were closed prior to December 31, 2025. For purposes of this graph, Month 1 is the first full calendar month of operation of the applicable Franchised Business.

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Table 2-B, which is below the graph, provides for the 27 Franchised Businesses whose results are represented in Table 2-A: the average Gross Sales for each of the 48 months (see column titled "Average") and the number of Ground-Up Franchised Businesses that operated during the entire month and whose Gross Sales were factored in when determining the average Gross Sales for that month (see column titled "StoreCount"). The Table also provides, for each month, the lowest, highest, and median Gross Sales and the number and percent of applicable Ground-up Franchised Businesses that met or exceeded the average Gross Sales.

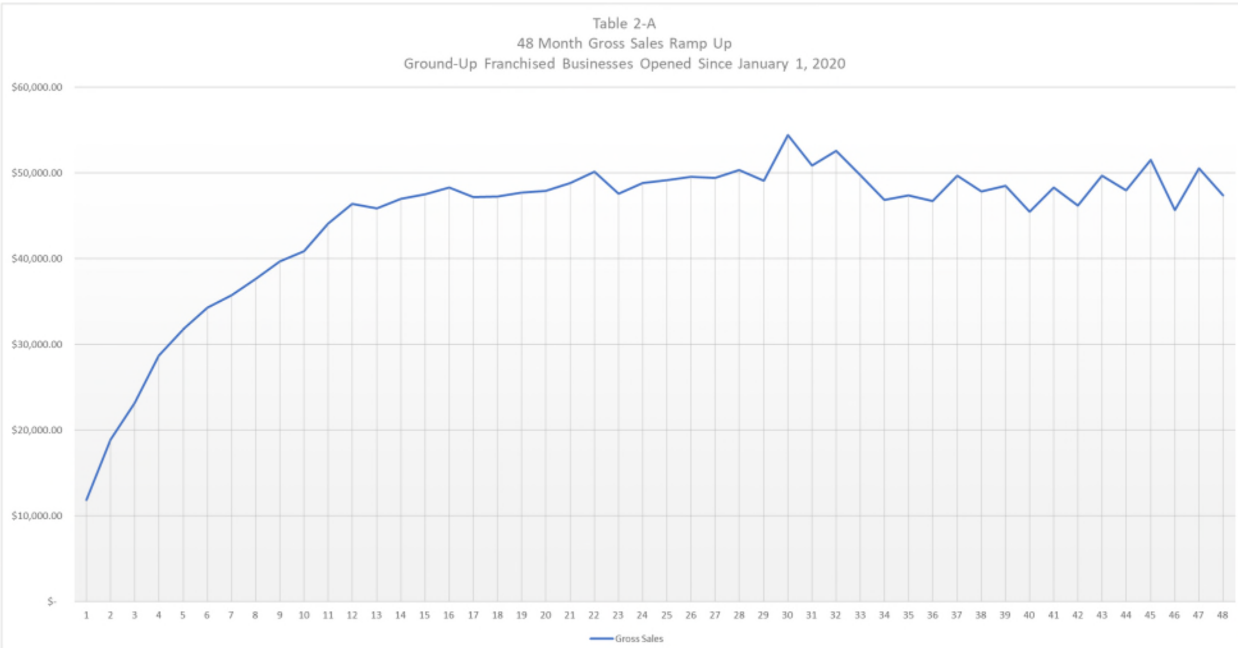

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Table 2-B

48 Month Gross Sales Ramp-up

Ground-Up Franchised Businesses Opened Since January 1, 2020

Month	Average	Min	Max	Median	Number >= Average	Percent >= Average	StoreCount
1	$ 11,890.27	$ 3,604.35	$ 22,570.15	$ 11,885.73	13	48%	27
2	$ 18,938.30	$ 7,849.46	$ 32,856.09	$ 18,108.63	12	44%	27
3	$ 23,163.35	$ 10,096.78	$ 41,446.81	$ 22,582.75	13	48%	27
4	$ 28,740.36	$ 12,108.81	$ 59,478.77	$ 26,796.96	12	44%	27
5	$ 31,832.64	$ 19,754.94	$ 65,265.45	$ 31,096.21	11	41%	27
6	$ 34,304.74	$ 16,408.32	$ 58,916.97	$ 34,064.40	13	48%	27
7	$ 35,737.02	$ 14,173.18	$ 62,524.66	$ 36,124.27	15	56%	27
8	$ 37,633.25	$ 16,875.65	$ 70,356.58	$ 35,288.02	13	48%	27
9	$ 39,686.74	$ 20,904.08	$ 75,403.42	$ 39,585.53	13	48%	27
10	$ 40,854.80	$ 18,203.23	$ 68,048.91	$ 42,207.09	14	54%	26
11	$ 44,094.90	$ 15,416.56	$ 86,977.82	$ 42,570.00	11	42%	26
12	$ 46,418.07	$ 20,343.55	$ 94,608.27	$ 41,191.18	10	38%	26
13	$ 45,907.70	$ 14,438.69	$ 91,355.43	$ 45,151.55	11	42%	26
14	$ 46,993.08	$ 16,040.58	$ 93,807.37	$ 45,153.51	10	42%	24
15	$ 47,539.22	$ 14,743.68	$ 100,434.08	$ 45,304.41	9	38%	24
16	$ 48,350.74	$ 13,807.25	$ 92,842.94	$ 48,037.89	12	50%	24
17	$ 47,197.66	$ 18,392.95	$ 91,483.81	$ 45,484.34	10	42%	24
18	$ 47,286.62	$ 18,206.77	$ 99,094.74	$ 46,788.60	11	46%	24
19	$ 47,741.99	$ 16,878.46	$ 84,937.07	$ 47,174.21	11	48%	23
20	$ 47,954.38	$ 17,171.05	$ 101,243.67	$ 46,151.59	9	41%	22
21	$ 48,879.66	$ 20,509.65	$ 92,357.02	$ 49,131.00	11	52%	21
22	$ 50,130.97	$ 18,749.21	$ 95,362.27	$ 49,846.81	9	43%	21
23	$ 47,623.71	$ 20,959.77	$ 84,026.47	$ 45,260.25	8	40%	20
24	$ 48,849.25	$ 21,840.87	$ 85,291.48	$ 43,541.66	6	35%	17
25	$ 49,147.09	$ 20,229.55	$ 82,181.17	$ 46,340.12	7	41%	17
26	$ 49,572.20	$ 17,945.36	$ 92,907.01	$ 46,690.87	6	38%	16
27	$ 49,418.21	$ 19,350.56	$ 93,686.99	$ 48,065.01	8	50%	16
28	$ 50,365.44	$ 19,358.02	$ 98,104.13	$ 47,165.26	6	38%	16
29	$ 49,107.49	$ 16,395.45	$ 94,291.68	$ 50,711.35	9	56%	16
30	$ 54,426.23	$ 17,158.88	$ 100,634.81	$ 56,519.76	8	53%	15
31	$ 50,898.95	$ 16,020.27	$ 81,447.84	$ 52,352.92	8	53%	15
32	$ 52,566.45	$ 14,143.51	$ 85,874.71	$ 51,459.12	7	47%	15
33	$ 49,740.65	$ 14,700.66	$ 85,257.02	$ 51,869.64	7	50%	14
34	$ 46,881.62	$ 12,638.08	$ 72,410.65	$ 47,766.67	8	57%	14
35	$ 47,368.85	$ 13,031.02	$ 84,156.67	$ 46,603.03	7	50%	14
36	$ 46,736.27	$ 15,368.44	$ 73,985.12	$ 47,866.08	7	50%	14
37	$ 49,682.08	$ 16,134.81	$ 83,103.70	$ 50,410.50	6	50%	12
38	$ 47,888.26	$ 17,569.85	$ 66,993.18	$ 56,034.14	6	55%	11
39	$ 48,503.19	$ 16,641.00	$ 76,745.81	$ 47,841.66	5	45%	11
40	$ 45,472.61	$ 16,808.98	$ 64,346.60	$ 50,122.93	6	55%	11
41	$ 48,348.31	$ 23,441.04	$ 67,212.05	$ 57,591.08	6	55%	11
42	$ 46,222.09	$ 21,757.25	$ 92,157.37	$ 43,531.20	4	44%	9
43	$ 49,690.87	$ 21,693.46	$ 74,137.42	$ 52,845.57	4	50%	8
44	$ 47,971.55	$ 22,242.95	$ 97,726.65	$ 41,351.97	3	43%	7
45	$ 51,534.60	$ 25,733.72	$ 90,399.84	$ 48,796.25	3	50%	6
46	$ 45,694.39	$ 21,515.75	$ 69,574.55	$ 44,620.27	2	40%	5
47	$ 50,526.69	$ 22,834.35	$ 89,975.24	$ 44,648.59	2	50%	4
48	$ 47,402.09	$ 20,053.90	$ 73,432.64	$ 48,060.91	2	50%	4

Average Gross Sales and Expenses

for 2025 Company-Owned Businesses

At the end of fiscal 2025, there were 32 Company-owned Businesses, all of which operated for all of fiscal year 2025 (the "2025 Company-owned Businesses"). Tables 3-A and 3-B include certain information regarding the actual historical average Gross Sales and Expenses for fiscal year 2025 for the 2025 Company-owned Businesses. The one Company-owned Business that was sold to a franchisee during fiscal year 2025, which Company-owned Business was not sold after being open less than 12 months, has not been included in the data set for these Tables. During fiscal year 2025, no Company-owned Business was closed.

The Tables reflect, for fiscal year 2025, the average annual Gross Sales and Expenses of the 2025 Company-owned Businesses and, for each category, the lowest, highest, median, and number and percent of 2025 Company-owned Businesses meeting or exceeding the average.

<u>Description of Table 3-A</u>

Table 3-A reflects, for fiscal year 2025, the actual historical average Gross Sales, Total Cost of Goods, Gross Profit, Total Expenses, Earnings Contribution, Operating Cash Flow, and Free Cash Flow for each quartile and all 2025 Company-owned Businesses. We report all our financials on an accrual basis. To determine which 2025 Company-owned Businesses fell in each quartile, we ranked the 2025 Company-owned Businesses based on their annual Gross Sales and separated them into quartiles containing from top to bottom, respectively, 8, 8, 8, and 8 2025 Company-owned Businesses.

Table 3-A
Statement of Average Gross Sales and Expenses
For Buddy's Home Furnishings Retail Businesses Open at Least 12 Months
Fiscal Year 2025

	Top Quartile		**2nd Quartile**		**3rd Quartile**		**4th Quartile**		**All**	
Sales	Average	%	Average	%	Average	%	Average	%	Average	%
Rental Revenue (Note 1)	$ 1,084,864	77.4%	$ 749,841	77.2%	$ 649,720	76.7%	$ 524,540	76.4%	$ 752,241	77.0%
Other Revenue (Note 2)	$ 316,933	22.6%	$ 221,472	22.8%	$ 197,564	23.3%	$ 162,035	23.6%	$ 224,501	23.0%
Gross Sales (Note 3)	**$ 1,401,797**	100.0%	**$ 971,312**	100.0%	**$ 847,284**	100.0%	**$ 686,575**	100.0%	**$ 976,742**	100.0%
Total Cost of Goods (Note 4)	**$ 412,564**	29.4%	**$ 311,895**	32.1%	**$ 273,717**	32.3%	**$ 221,117**	32.2%	**$ 304,823**	31.2%
Gross Profit (Note 5)	**$ 989,234**	70.6%	**$ 659,417**	67.9%	**$ 573,567**	67.7%	**$ 465,458**	67.8%	**$ 671,919**	68.8%
Expenses										
Personnel (Note 6)	$ 329,918	23.5%	$ 248,385	25.6%	$ 239,172	28.2%	$ 220,573	32.1%	$ 259,512	26.6%
Occupancy (Note 7)	$ 111,787	8.0%	$ 114,850	11.8%	$ 112,517	13.3%	$ 125,038	18.2%	$ 116,048	11.9%
Marketing (Note 8)	$ 37,136	2.6%	$ 28,526	2.9%	$ 26,046	3.1%	$ 22,831	3.3%	$ 28,635	2.9%
Delivery/Vehicle (Note 9)	$ 38,426	2.7%	$ 39,834	4.1%	$ 39,503	4.7%	$ 33,599	4.9%	$ 37,840	3.9%
G&A (Note 10)	$ 62,110	4.4%	$ 57,459	5.9%	$ 51,110	6.0%	$ 44,857	6.5%	$ 53,884	5.5%
IT Fee (Note 11)	$ 14,717	1.0%	$ 14,180	1.5%	$ 14,437	1.7%	$ 14,151	2.1%	$ 14,371	1.5%
Royalty (Note 12)	$ 84,108	6.0%	$ 58,279	6.0%	$ 50,837	6.0%	$ 41,194	6.0%	$ 58,605	6.0%
Total Expenses (Note 13)	**$ 678,202**	48.4%	**$ 561,513**	57.8%	**$ 533,622**	63.0%	**$ 502,245**	73.2%	**$ 568,895**	58.2%
Earnings Contribution (Note 14)	**$ 311,032**	22.2%	**$ 97,905**	10.1%	**$ 39,946**	4.7%	**$ (36,787)**	-5.4%	**$ 103,024**	10.5%
Cash Flow Summary										
Non-cash expenses										
Earnings Contribution (Note 14)	**$ 311,032**	22.2%	**$ 97,905**	10.1%	**$ 39,946**	4.7%	**$ (36,787)**	-5.4%	**$ 103,024**	10.5%
Depreciation (Note 15)	$ 286,159	20.4%	$ 212,975	21.9%	$ 186,951	22.1%	$ 147,844	21.5%	$ 208,482	21.3%
Other (Note 16)	$ 64,819	4.6%	$ 44,938	4.6%	$ 39,323	4.6%	$ 44,659	6.5%	$ 48,435	5.0%
RBV Skips and Stolen (Note 17)	$ 27,805	2.0%	$ 34,501	3.6%	$ 27,711	3.3%	$ 22,940	3.3%	$ 28,239	2.9%
Operating Cash Flow (Note 18)	**$ 689,814**	49.2%	**$ 390,319**	40.2%	**$ 293,930**	34.7%	**$ 178,656**	26.0%	**$ 388,180**	39.7%
Inventory purchases (Note 19)	$ (299,982)	-21.4%	$ (260,723)	-26.8%	$ (271,819)	-32.1%	$ (227,250)	-33.1%	$ (264,943)	-27.1%
Cap Ex (Note 20)	$ (50,919)	-3.6%	$ (34,006)	-3.5%	$ (22,781)	-2.7%	$ (37,885)	-5.5%	$ (36,398)	-3.7%
Free Cash Flow (Note 21)	**$ 338,913**	24.2%	**$ 95,591**	9.8%	**$ (670)**	-0.1%	**$ (86,479)**	-12.6%	**$ 86,839**	8.9%
Number of Retail Businesses in Sample	8		8		8		8		32	

Description of Table 3-B

Table 3-B is the derivation statement for the data included in Table 3-A and reflects, for each applicable line item identified in Table 3-A, the actual historical lowest, highest, average, and median figure, and number and percent of 2025 Company-owned Businesses meeting or exceeding the applicable average for each quartile and all 2025 Company-owned Businesses.

This information is calculated for each category and does not represent a single 2025 Company-owned Business across all categories. They are the highest and lowest values for the 2025 Company-owned Businesses included in that category. Thus, the lowest and highest numbers may represent results for different 2025 Company-owned Businesses.

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TABLE 3-B

Derivation Statement of Average Gross Sales and Expenses

For Buddy's Home Furnishings Retail Businesses Open at Least 12 Months

Fiscal Year 2025

	Top Quartile	2nd Quartile	3rd Quartile	4th Quartile	All
Number of Stores in Sample	**8**	**8**	**8**	**8**	**32**
Rental Revenue					
Min	$ 788,615	$ 695,982	$ 627,389	$ 402,359	$ 402,359
Max	$ 1,663,807	$ 789,171	$ 696,490	$ 587,417	$ 1,663,807
Average	**$ 1,084,864**	**$ 749,841**	**$ 649,720**	**$ 524,540**	**$ 752,241**
Median	$ 1,027,832	$ 750,097	$ 645,010	$ 540,245	$ 696,236
Stores >= average	3	4	4	6	12
Percent >= average	38%	50%	50%	75%	38%
Other Revenue					
Min	$ 259,757	$ 203,685	$ 183,516	$ 112,629	$ 112,629
Max	$ 413,424	$ 248,115	$ 214,260	$ 182,230	$ 413,424
Average	**$ 316,933**	**$ 221,472**	**$ 197,564**	**$ 162,035**	**$ 224,501**
Median	$ 309,563	$ 215,716	$ 198,131	$ 167,732	$ 208,206
Stores >= average	2	3	4	5	11
Percent >= average	25%	38%	50%	63%	34%
Gross Sales					
Min	$ 1,048,372	$ 904,584	$ 812,053	$ 514,987	$ 514,987
Max	$ 2,077,231	$ 1,035,247	$ 895,560	$ 765,958	$ 2,077,231
Average	**$ 1,401,797**	**$ 971,312**	**$ 847,284**	**$ 686,575**	**$ 976,742**
Median	$ 1,334,489	$ 964,364	$ 848,146	$ 707,448	$ 900,072
Stores >= average	3	4	4	5	10
Percent >= average	38%	50%	50%	63%	31%
Total Cost of Goods					
Min	$ 335,558	$ 284,788	$ 248,156	$ 165,773	$ 165,773
Max	$ 622,987	$ 396,354	$ 297,600	$ 260,447	$ 622,987
Average	**$ 412,564**	**$ 311,895**	**$ 273,717**	**$ 221,117**	**$ 304,823**
Median	$ 368,943	$ 301,506	$ 275,662	$ 222,208	$ 286,987
Stores >= average	2	3	4	4	12
Percent >= average	25%	38%	50%	50%	38%

Gross Profit					
Min	$ 712,814	$ 619,796	$ 518,337	$ 349,215	$ 349,215
Max	$ 1,454,244	$ 746,994	$ 617,323	$ 531,981	$ 1,454,244
Average	**$ 989,234**	**$ 659,417**	**$ 573,567**	**$ 465,458**	**$ 671,919**
Median	$ 940,815	$ 650,986	$ 574,229	$ 489,105	$ 618,559
Stores >= average	3	2	4	6	10
Percent >= average	38%	25%	50%	75%	31%
Personnel Expense					
Min	$ 272,629	$ 217,510	$ 207,491	$ 193,428	$ 193,428
Max	$ 464,956	$ 289,682	$ 269,316	$ 242,500	$ 464,956
Average	**$ 329,918**	**$ 248,385**	**$ 239,172**	**$ 220,573**	**$ 259,512**
Median	$ 319,812	$ 248,159	$ 240,670	$ 220,805	$ 247,440
Stores >= average	3	4	4	4	12
Percent >= average	38%	50%	50%	50%	38%
Occupancy Expense					
Min	$ 75,157	$ 85,865	$ 98,092	$ 82,373	$ 75,157
Max	$ 146,312	$ 143,955	$ 136,082	$ 163,753	$ 163,753
Average	**$ 111,787**	**$ 114,850**	**$ 112,517**	**$ 125,038**	**$ 116,048**
Median	$ 109,843	$ 116,563	$ 106,783	$ 130,979	$ 111,478
Stores >= average	3	4	3	5	14
Percent >= average	38%	50%	38%	63%	44%
Marketing Expense					
Min	$ 30,067	$ 27,192	$ 25,341	$ 19,400	$ 19,400
Max	$ 50,645	$ 29,805	$ 27,011	$ 24,419	$ 50,645
Average	**$ 37,136**	**$ 28,526**	**$ 26,046**	**$ 22,831**	**$ 28,635**
Median	$ 35,790	$ 28,387	$ 26,063	$ 23,249	$ 27,101
Stores >= average	3	4	4	5	10
Percent >= average	38%	50%	50%	63%	31%
Delivery/Vehicle					
Min	$ 32,283	$ 22,688	$ 31,813	$ 23,388	$ 22,688
Max	$ 42,554	$ 61,573	$ 48,198	$ 44,459	$ 61,573
Average	**$ 38,426**	**$ 39,834**	**$ 39,503**	**$ 33,599**	**$ 37,840**
Median	$ 39,864	$ 38,659	$ 40,045	$ 37,932	$ 38,583
Stores >= average	5	4	4	5	19
Percent >= average	63%	50%	50%	63%	59%
G&A					
Min	$ 47,530	$ 49,628	$ 46,066	$ 40,119	$ 40,119
Max	$ 78,766	$ 68,097	$ 57,425	$ 51,646	$ 78,766
Average	**$ 62,110**	**$ 57,459**	**$ 51,110**	**$ 44,857**	**$ 53,884**
Median	$ 59,906	$ 56,984	$ 49,745	$ 44,829	$ 52,066
Stores >= average	3	4	3	4	13
Percent >= average	38%	50%	38%	50%	41%

IT Fee					
Min	$ 13,433	$ 13,769	$ 13,900	$ 13,611	$ 13,433
Max	$ 16,061	$ 14,540	$ 15,987	$ 15,229	$ 16,061
Average	**$ 14,717**	**$ 14,180**	**$ 14,437**	**$ 14,151**	**$ 14,371**
Median	$ 14,746	$ 14,257	$ 14,213	$ 13,849	$ 14,280
Stores >= average	4	5	3	3	14
Percent >= average	50%	63%	38%	38%	44%
Royalty					
Min	$ 62,902	$ 54,275	$ 48,723	$ 30,899	$ 30,899
Max	$ 124,634	$ 62,115	$ 53,734	$ 45,957	$ 124,634
Average	**$ 84,108**	**$ 58,279**	**$ 50,837**	**$ 41,194**	**$ 58,605**
Median	$ 80,069	$ 57,862	$ 50,889	$ 42,447	$ 54,004
Stores >= average	3	4	4	5	10
Percent >= average	38%	50%	50%	63%	31%
Total Expenses					
Min	$ 541,745	$ 515,328	$ 491,245	$ 431,868	$ 431,868
Max	$ 899,392	$ 620,720	$ 570,421	$ 561,878	$ 899,392
Average	**$ 678,202**	**$ 561,513**	**$ 533,622**	**$ 502,245**	**$ 568,895**
Median	$ 662,023	$ 560,786	$ 532,562	$ 498,676	$ 552,082
Stores >= average	2	4	4	4	11
Percent >= average	25%	50%	50%	50%	34%
Earnings Contribution					
Min	$ 67,669	$ 26,857	$ (38,893)	$ (109,782)	$ (109,782)
Max	$ 554,852	$ 195,859	$ 87,184	$ 38,876	$ 554,852
Average	**$ 311,032**	**$ 97,905**	**$ 39,946**	**$ (36,787)**	**$ 103,024**
Median	$ 308,665	$ 96,727	$ 42,930	$ (42,428)	$ 50,960
Stores >= average	3	4	4	4	11
Percent >= average	38%	50%	50%	50%	34%
Depreciation					
Min	$ 225,934	$ 196,605	$ 170,293	$ 114,690	$ 114,690
Max	$ 439,683	$ 234,124	$ 196,890	$ 163,869	$ 439,683
Average	**$ 286,159**	**$ 212,975**	**$ 186,951**	**$ 147,844**	**$ 208,482**
Median	$ 257,978	$ 211,849	$ 189,452	$ 151,086	$ 196,748
Stores >= average	3	4	5	4	13
Percent >= average	38%	50%	63%	50%	41%

Other non-cash expenses					
Min	$ 45,630	$ 32,832	$ 27,012	$ 31,732	$ 27,012
Max	$ 100,669	$ 57,733	$ 55,553	$ 61,071	$ 100,669
Average	**$ 64,819**	**$ 44,938**	**$ 39,323**	**$ 44,659**	**$ 48,435**
Median	$ 56,112	$ 47,238	$ 35,178	$ 41,631	$ 46,478
Stores >= average	2	5	3	3	15
Percent >= average	25%	63%	38%	38%	47%
RBV Skips and Stolen					
Min	$ 7,202	$ 13,561	$ 6,488	$ 9,990	$ 6,488
Max	$ 64,191	$ 87,395	$ 58,975	$ 40,697	$ 87,395
Average	**$ 27,805**	**$ 34,501**	**$ 27,711**	**$ 22,940**	**$ 28,239**
Median	$ 26,796	$ 29,864	$ 25,676	$ 20,413	$ 25,616
Stores >= average	4	2	4	3	15
Percent >= average	50%	25%	50%	38%	47%
Operating Cash Flow					
Min	$ 479,014	$ 314,972	$ 243,784	$ 84,881	$ 84,881
Max	$ 1,127,867	$ 474,516	$ 343,777	$ 256,402	$ 1,127,867
Average	**$ 689,814**	**$ 390,319**	**$ 293,930**	**$ 178,656**	**$ 388,180**
Median	$ 624,293	$ 398,233	$ 304,969	$ 179,970	$ 317,338
Stores >= average	3	5	5	4	13
Percent >= average	38%	63%	63%	50%	41%
Inventory purchases					
Min	$ 159,536	$ 136,451	$ 195,175	$ 152,793	$ 136,451
Max	$ 380,680	$ 345,501	$ 407,119	$ 303,951	$ 407,119
Average	**$ 299,982**	**$ 260,723**	**$ 271,819**	**$ 227,250**	**$ 264,943**
Median	$ 310,729	$ 269,672	$ 259,115	$ 223,170	$ 272,303
Stores >= average	5	4	3	3	17
Percent >= average	63%	50%	38%	38%	53%
Cap Ex					
Min	$ -	$ -	$ -	$ -	$ -
Max	$ 245,328	$ 158,721	$ 180,453	$ 196,321	$ 245,328
Average	**$ 50,919**	**$ 34,006**	**$ 22,781**	**$ 37,885**	**$ 36,398**
Median	$ 4,829	$ 6,211	$ -	$ 1,318	$ 2,292
Stores >= average	2	2	1	2	7
Percent >= average	25%	25%	13%	25%	22%
Free Cash Flow					
Min	$ 101,750	$ (29,705)	$ (149,622)	$ (264,233)	$ (264,233)
Max	$ 745,238	$ 291,423	$ 148,602	$ (4,715)	$ 745,238
Average	**$ 338,913**	**$ 95,591**	**$ (670)**	**$ (86,479)**	**$ 86,839**
Median	$ 290,654	$ 66,228	$ 19,854	$ (63,032)	$ 35,097
Stores >= average	2	3	5	5	14
Percent >= average	25%	38%	63%	63%	44%

Notes to the Financial Performance Representations

The following notes provide (i) definitions applicable to the information provided in this Item 19 that are not otherwise defined in the Tables and Graph presented above, and (ii) additional information relevant to this Item 19. You should review these notes in conjunction with the other parts of this Item 19.

We calculated the figures in Tables 1-A, 1-B, 2-A, and 2-B using information that franchisees provided.

We have found no direct correlation between the annual Gross Sales achieved at a Buddy's Retail Business and the Buddy's Retail Business's size, location, or demographics in the area surrounding the Buddy's Retail Business, although cost of operating may vary depending upon whether you operate a Buddy's Retail Business in a strip-typecenter or free-standing building and market conditions in your Territory.

Note 1: Rental Revenue

DEFINED: "Rental Revenue" is the sum of recurring revenue from renewal payments based on rates and terms set forth in rental agreements between the franchisee and its customer. Franchisees determine the lease rates and terms for products and services leased and sold from their Franchised Businesses, although some states have laws governing merchandise lease rates and fees.

Note 2: Other Revenue

DEFINED: "Other Revenue" is derived by adding the following peripheral recurring revenue and non-recurring revenue that a franchisee may earn. "Peripheral recurring revenue" includes waiver fees, club fees, renewal fees, other fees payable by franchisees under their franchise agreements and tax filing revenue. "Non-recurring revenue" includes early buyout option fees payable by customers and revenue derived from the sale of products normally leased by customers on a rent-to-own basis. Franchisees can determine the retail sales price and other fees for products sold from their Franchised Businesses and the price for early buyoutsof lease agreements. Some states have laws governing early buyout amounts.

Note 3: Gross Sales

DEFINED: As used in this Item 19, "Gross Sales" has the same meaning as stated in Item 6. Specifically, "Gross Sales" means all revenue that is received or otherwise derived from operating the Buddy's Retail Business, whether from cash, check, credit or debit card, gift card or gift certificate, or other credit transactions, and regardless of collection or when the products or services are actually provided in exchange for the revenue. If a franchisee receives any proceeds from any business interruption insurance applicable to loss of revenue at the Franchised Business, there will be added to Gross Sales an amount equal to the imputed gross revenue that the insurer used to calculate those proceeds. Gross Sales does not include (a) any bona fide returns and credits that are actually provided to customers, or (b) any sales or other taxes that are collected from customers and paid directly to the appropriate taxing authority. Payment provider fees (*i.e.*, bank or credit card company fees and gift card vendor fees) may not be deducted from the Gross Sales calculation. Gross Sales are calculated as Rental Revenue plus Other Revenue.

Note 4: Total Cost of Goods (Total COG)

DEFINED: Total COG is the sum of Cost of Recurring Revenue, Cost of Non-recurring revenue and Rental Write-down:

- Cost of Recurring Revenue
  - WRITE-OFFS
    - RBV-CHARGEOFFS
    - CLUB CHARGE OFF
    - RBV-SKIPS,STOLENS
  - PRODUCT REPAIRS
    - APPLIANCE REPAIR
    - FURNITURE REPAIR
    - ELECTRONIC REPAIR
    - SERVICE DEPT ALLOCATION
    - JEWELRY REPAIR
  - OTHER DIRECT COSTS
    - COST OF CLUB FEES
    - OTHER COSTS
    - CELL PHONE SERVICES
    - CASH OVER/SHORT
    - ALLOWANCES AND REBATES
    - SMALL PARTS/FREIGHT
    - ACCESSORIES EXPENSE
    - DUES
- Cost of Non-recurring Revenue
  - RBV - EBO & POS
  - RBV - SOLD UNITS
  - COST OF EMPLOYEE SALES
  - BAD DEBTS
- Rental Write-down
  - Depreciation

Note 5: Gross Profit

DEFINED: Gross Profit is calculated as Gross Sales less the Total Cost of Goods.

Note 6: Personnel Expense

DEFINED: Personnel is the sum of all Buddy's Retail Business personnel costs, including:

- COMPENSATION
  - SALARY-RENTAL
  - PAYROLL-OVERTIME
  - BONUS EXPENSE
- FRINGE & OTHER
  - PAYROLL TAXES
  - GRP/DIS INSURANCE
  - WORKERS COMP INSURANCE
  - EMPLOYEE HIRING COST
  - RELOCATION COSTS
  - PAYROLL PROCESSING FEES
  - 401K EXPENSE
  - CASUAL LABOR
  - PERSONNEL DEVELOPMENT

These expenses will vary depending on whether franchisee hires a manager and his/her compensation program, prevailing wages in the geographic area in which the Buddy's Retail Business is located, and the types and amounts of non-salary benefits, if any,provided to employees.

Note 7: Occupancy Expense

DEFINED: Occupancy Expense is the sum of all leased or owned building expenses, including:

- RENT EXPENSE
- RENT - CAM CHARGES
- RENT - STORAGE
- TENANT PROPERTY TAXES
- SECURITY
- STORE REPAIR COSTS
- REPAIRS/MAINTENANCE
- PROPERTY INSURANCE
- DEPR-LEASEHO
- DEPR-EQUIP/FURN/FIXT
- DEPR-SIGNS

The 2025 Company-owned Businesses vary in size from approximately 3,600 to 13,337 square feet. For the 2025 Company-owned Businesses, the lease rate per square foot varies from $5.40 to $19.55, and common area maintenance charge (C.A.M.) varies from $0.07 to $6.39 per square foot. The cost per square foot in a strip-type shopping center and freestanding building varies considerably, depending on the location and the market conditions affecting commercial property.

Note 8: Marketing Expense

DEFINED: Marketing Expense is calculated for each 2025 Company-owned Business as the greater of (i) the actual marketing spend by such business (including the payment of the Marketing Fee) or (ii) an imputed figure equal to the Marketing Fee, which is equal to $175 per week ($9,100 per year), plus the minimum local marketing expenditure for franchisees (which is 2% of Gross Sales). The marketing expenses may include:

- FLYERS PRODUCTION
- MARKETING FEE
- STORE SALES/PROMOTIONS
- CONTESTS, AWARDS and PROMOS
- IN STORE POSTAGE

As stated in Item 6, under the Franchise Agreement, you are currently required to pay us a Marketing Fee of $175 per week for deposit into the Marketing Fund. During the term of the Franchise Agreement, we may increase the Marketing Fee periodically; however, the Marketing Fee will not exceed 2% of your annual Gross Sales. Company-owned Businesses contribute to the Marketing Fund on the same basis as franchisees.

In addition to the Marketing Fee, you are currently required to spend at least 2% of your Gross Sales on approved local marketing, advertising and promotion. During the term of the Franchise Agreement, we may increase the required minimum local marketing expenditure, provided that the sum of the Marketing Fee, your required local marketing expenditure, and your Marketing Cooperative contributions in any calendar year will not exceed 4.5% of your annual Gross Sales. Because Company-owned Businesses are not required to spend a minimum amount on marketing, we have imputed an amount equal to 2% of Gross Sales for all Company-owned Businesses with marketing expenditures that did not exceed that minimum, since this is an expense you will be required to incur.

Note 9: Delivery/Vehicle Expense

DEFINED: Delivery /Vehicle Expense is the sum of all expenses incurred in delivering and picking up lease inventory, including:

- VEHICLE-FUEL
- VEHICLE-REPAIRS
- LEASE VEHICLE COSTS
- DEPR-VEHICLES
- CUSTOMER DAMAGE/LOSS
- VEHICLE INSURANCE
- VEHICLE LICENSES & TAXES
- INTEREST-VEHICLE FINANCING

Franchisees may participate in Buddy's fleet leasing or fleet purchasing programs. Cost varies based on method chosen along with the quantity and size of vehicles ordered. Insurance rates for delivery vehicles will vary depending on the state and type of area (metropolitan or rural) in which the Franchised Business is located, and the amount and types of insurance coverage you maintain. See Item 7 for an estimate of delivery / vehicle expense.

Note 10: G&A Expense

DEFINED: G&A Expense is the sum of all general and administrative costs including:

- COPIER COSTS
- LOSS RECOVERY
- BULK SUPPLIES
- TELEPHONE
- TRAVEL EXPENSES
- TRAVEL MEALS
- COMPUTER EXPENSE
- GENERAL LIABILITY INSURANCE
- CREDIT CARDS & BANKFEES
- START UP EXPENSE
- LICENSE & TAXES
- (GAIN)/LOSS ON FIXED ASSET DISPOSALS

General liability insurance coverage will vary depending on the state(s) in which the Buddy's Retail Business operates, and the amounts and types of coverage you maintain. See Item 7 for an estimate of insurance costs.

Note 11: IT Fee

DEFINED: IT Fees are charges for hardware, software, networking, and support, based on a given Buddy's Retail Business's needs. As stated in Item 6, under the Franchise Agreement, you will pay us a Technology Fee, which is approximately $1,050 per month for a typical Franchised Business, although the actual amount will depend on the amount and type of equipment leased, software licensed, and services provided under the Technology Agreement and used in the Franchised Business.

Note 12: Royalty Expenses

DEFINED: Although Company-owned Businesses do not pay a royalty fee, the standard royalty fee of 6% was added to the expenses so as to be consistent with the royalty fee percentage paid by franchisees. This will allow the expenses data correlate to the royalty expense charged to franchisees as noted in Item 6 of our disclosure document.

Note 13: Total Expense

DEFINED: Total expense is the sum of the following items:

- Personnel
- Occupancy
- Marketing
- Delivery/Vehicle
- G&A
- IT Fee
- Royalty

Note 14: Earnings Contribution

DEFINED: Earnings Contribution is Gross Profit minus Total Expenses.

Note 15: Depreciation Expense

DEFINED: Depreciation is the total of all depreciation of lease. Franchisees may elect to amortize intangibles and depreciate lease inventory and fixed assets on a basisdifferent than what we use.

Note 16: Other Non-Cash Expense

DEFINED: These are the non-cash expenses assessed prior to deriving earnings contribution that are added back to determine operating cash flow. Other non-cash expenses include:

- Other non-cash COGS
    - RBV-CHARGEOFFS
    - RBV-SKIPS,STOLENS
    - RBV - EBO & POS
    - RBV - SOLD UNITS
- Depreciation, Amortization, Gain/loss on FA disposals
    - DEPR-LEASEHOLD
    - DEPR-
    - EQUIP/FURN/FIXT
    - DEPR-SIGNS
    - DEPR-VEHICLES
    - DEPR- COMPUTERS/SOFTWARE
    - AMORTIZATION EXPENSE
    - (GAIN)/LOSS ON FIXED ASSET DISPOSALS

Note 17: RBV Skips and Stolen

DEFINED: RBV Skips and Stolen is the sum of remaining book value of items on a charged-off agreement. Agreement Charge-offs can occur form many reasons, but typically represent an unrecoverable account.

Franchisees are responsible for managing collections to minimize charge-offs.

Note 18: Operating Cash Flow

DEFINED: Operating Cash Flow is Earnings Contribution plus Depreciation, RBV Skips and Stolen, and Other Non-Cash expenses.

Note 19: Inventory Purchases

DEFINED: Net Inventory Purchases is the sum of all lease inventory purchased. These items are reflected in the month the invoice is paid, not when the merchandise is received.

Under the prior form of franchise agreement, franchisees were permitted (but not required) to participate in the BPP for inventory pricing benefits. As stated in Item 8, under the current form of franchise agreement, franchisees are required to participate in the BPP. Under the BPP, participating franchisees have the opportunity to procure electronically and receive inventory from approved Buddy's vendors and receive reconciliation, product concern, and purchasing support, reducing their back office expense. Participating franchisees are billed once monthly based on invoice pricing and receive 30-60 net terms based on our billing cycle.

Note 20 – Cap Ex

DEFINED: Capital expenditures are low for the 2025 Company-owned Businesses and are based on their level of maturity, leased versus owned methodology for both real estate and vehicle procurement, and ability to negotiate tenant improvement contribution from the landlord when negotiating new leases. Decisions regarding capital expense will be based on the franchisee's method of procuring its fixed assets such as buildings, vehicles, equipment or land to operate the business.

Note 21 – Free Cash Flow

DEFINED: Free Cash Flow is Operating Cash Flow minus Inventory Purchases and Capital Expenditures.

Some Buddy's Retail Businesses have sold or earned these amounts. Your individual results may differ. Thereis no assurance that you'll sell or earn as much.

Written substantiation for the financial performance representations in this Item 19 will be made available to you upon reasonable request.

Tables 1-A, 1-B, 2-A, and 2-B do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the Gross Sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Retail Business. Franchisees or former franchisees, listed in this disclosure document, may be one source of this information.

Other than the preceding financial performance representation, BHF Franchising, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make anysuch representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performanceinformation or projections of your future income, you should report it to the franchisor's management by contacting Michael Bennett, our Chief Executive Officer, 8529 Southpark Circle, Suite 410, Orlando, Florida 32819; the Federal Trade Commission; and/or the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

As we acquired the Buddy's Home Furnishings® franchise system in December 2025, our predecessor, BFL, was the franchisor for fiscal years 2023 (ending on December 30, 2023), 2024 (ending on December 28, 2024), and 2025 (ending December 31, 2025 because of the acquisition). During those fiscal years, BFL's affiliate, Buddy's Newco, owned and operated Buddy's Retail Businesses, which are characterized as "Company-Owned" in this Item 20. After our acquisition of the system, those Company-Owned Buddy's Retail Businesses became owned and operated by our parent company, BHF Operating Company.

TABLE 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2023 TO 2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	302	303	+1
	2024	303	295	-8
	2025	295	191	-104
Affiliate-Owned	2023	36	34	-2
	2024	34	33	-1
	2025	33	32	-1
Total Outlets	2023	338	337	-1
	2024	337	328	-9
	2025	328	223	-105

TABLE 2
TRANSFERS OF OUTLETS FROM
FRANCHISEES TO NEW OWNERS
(OTHER THAN FRANCHISOR OR AFFILIATE
FOR YEARS 2023 TO 2025)

State	Year	Number of Transfers
Virginia	2023	0
	2024	6
	2025	0
Totals	2023	0
	2024	6
	2025	0

TABLE 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2023 TO 2025

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
Alabama	2023	14	1	0	0	0	0	15
	2024	15	1	0	0	0	0	16
	2025	16	0	0	0	0	2	14
Arizona	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
Arkansas	2023	15	0	0	0	0	0	15
	2024	15	0	0	0	0	0	15
	2025	15	0	0	0	0	14	1
Florida	2023	19	3	0	0	0	3	19
	2024	19	3	0	0	0	0	22
	2025	22	3	0	0	0	8	17
Georgia	2023	25	3	0	0	0	0	28
	2024	28	1	0	1	0	0	28
	2025	28	0	0	0	0	4	24
Illinois	2023	4	0	0	0	0	0	4
	2024	4	1	0	0	0	3	2
	2025	2	0	0	0	0	2	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
Indiana	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Iowa	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
	2025	0	0	0	0	0	0	0
Kansas	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	1	0
Kentucky	2023	7	0	0	0	0	0	7
	2024	7	0	0	0	0	1	6
	2025	6	0	0	0	0	3	3
Louisiana	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	2	2
	2025	2	0	0	0	0	1	1
Mississippi	2023	8	0	0	0	0	0	8
	2024	8	0	0	0	0	2	6
	2025	6	0	0	0	0	0	6

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
Missouri	2023	13	0	0	0	0	0	13
	2024	13	0	0	0	0	0	13
	2025	13	0	0	0	0	13	0
Nevada	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
	2025	2	0	0	0	0	0	2
New Mexico	2023	8	0	0	0	0	0	8
	2024	8	0	0	0	0	0	8
	2025	8	0	0	0	0	8	0
North Carolina	2023	14	3	0	0	0	0	17
	2024	17	1	0	0	0	1	17
	2025	17	0	0	0	0	2	15
Oklahoma	2023	17	0	0	0	0	0	17
	2024	17	0	0	0	0	1	16
	2025	16	0	0	0	0	16	0
Pennsylvania	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	1	5
	2025	5	0	0	0	0	0	5
South Carolina	2023	12	0	0	0	0	0	12
	2024	12	0	0	0	0	1	11
	2025	11	0	0	0	0	0	11

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – other Reasons	Outlets at End of Year
Tennessee	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
	2025	6	0	0	0	0	0	6
Texas	2023	88	0	6	0	0	0	82
	2024	82	0	0	0	0	3	79
	2025	79	0	0	0	0	30	49
Virginia	2023	19	1	0	0	0	0	20
	2024	20	0	0	0	0	1	19
	2025	19	0	0	0	0	1	18
Washington	2023	15	0	1	0	0	0	14
	2024	14	1	0	0	0	1	14
	2025	14	0	0	0	0	2	12
Guam	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Totals	2023	302	11	7	0	0	3	303
	2024	303	11	0	1	0	18	295
	2025	295	3	0	0	0	107	191

TABLE 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2023 TO 2025

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Florida	2023	33	0	0	1	1	31
	2024	31	0	0	1	0	30
	2025	30	0	0	0	1	29
Texas	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
	2025	3	0	0	0	0	3
Totals	2023	36	0	0	1	1	34
	2024	34	0	0	1	0	33
	2025	33	0	0	0	1	32

TABLE 5
PROJECTED OPENINGS
AS OF DECEMBER 31, 2025

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets For the Next Fiscal Year	Projected New Company-Owned Outlets For the Next Fiscal Year
Alabama	0	2	0
Florida	0	2	0
Georgia	0	3	0
Indiana	0	1	0
North Carolina	0	1	0
Tennessee	0	1	0
Virginia	0	1	0
Washington	0	1	0
Total	0	12	0

Attached as Exhibit K is a list of Buddy’s Retail Business franchisees as of December 31, 2025. A list of franchisees who signed a Franchise Agreement as of December 31, 2025, but their Retail Businesses were not operational as of December 31, 2025, if any, is also included in Exhibit K.

The name, city and state, and the current business telephone number (or, if known, the last known home telephone number) of every franchisee who had a Buddy’s Retail Business terminated, canceled, or not renewed by our predecessor, BFL, in fiscal year 2025, who otherwise voluntarily or involuntarily ceased to do business under their Franchise Agreement in fiscal year 2025, or who did not communicate with our predecessor, BFL, or us within 10 weeks of the issuance date of this Disclosure Document are attached to this Disclosure Document as Exhibit K. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the System.

In a few instances during the last three fiscal years, current and former franchisees have signed provisions restricting their ability to speak openly about their experience with the Buddy's franchise system. You may wish to speak with current and former franchisees but be aware that not all of those franchisees will be able to communicate with you.

There are currently no trademark-specific franchisee organizations associated with the Buddy's System.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit B to this Disclosure Document is our audited opening balance sheet as of March 11, 2026. Because we were formed on January 14, 2026, we do not have available, and cannot yet include, three full years of audited financial statements. Our fiscal year ends on December 31 of each year.

ITEM 22
CONTRACTS

This Disclosure Document includes a sample of the following contracts that you will be required to sign in connection with being granted a franchise:

Exhibit C:	Franchise Agreement
Exhibit D:	Development Agreement
Exhibit E:	Technology Agreement Rider 1 Software License Agreement
Exhibit F	Signage Lease Agreement
Exhibit G	Prospective Franchisee Confidentiality Agreement
Exhibit H	Franchisee Acknowledgement
Exhibit J	Sample Release

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document are attached as the last two pages of this Disclosure Document. Please return the first copy of the Receipt to us and retain the other copy for your records. If you are missing these Receipts, please contact us at the following address or telephone number:

BHF Franchising, LLC
8529 Southpark Circle, Suite 410
Orlando, Florida 32819
(813) 623-5461

EXHIBIT A

List of State Administrators and Agents for Service of Process

STATE ADMINISTRATORS

We intend to register this Disclosure Document as a franchise in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in that state:

California	Department of Financial Protection and Innovation 320 West 4th Street Suite 750 Los Angeles, CA 90013 (213) 576-7500 or (866) 275-2677
Florida	Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building 407 South Calhoun Street Tallahassee, FL 32399 (850) 410-3754
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722
Illinois	Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, IL 62706 (217) 782-4465
Indiana	Indiana Secretary of State Indiana Securities Division Franchise Section 302 W. Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681
Maryland	Office of the Attorney General Maryland Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
Michigan	Michigan Department of the Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 335-7567

Minnesota	Minnesota Department of Commerce Securities – Franchise Registration 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1500
Nebraska	Department of Banking and Finance Bureau of Securities 1526 K Street, Suite 300 Lincoln, NE 68508 (402) 471-3445
New York	NYS Department of Law Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, NY 10005-1495 (212) 416-8236 Phone
North Dakota	North Dakota Insurance & Securities Department 600 East Boulevard Avenue, Dept. 401 Bismarck, ND 58505-0510 (701) 328-2910
Oregon	Department of Consumer and Business Services Division of Finance Labor and Industries Building Salem, OR 97310 (503) 378-4387
Rhode Island	Department of Business Regulation Division of Securities 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, Rhode Island 02920 (401) 462-9527
South Dakota	South Dakota Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 (605) 773-3563

Texas	Secretary of State Statutory Document Section P.O. Box 13563 Austin, TX 78711 (512) 475-1769
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051
Washington	Securities Administrator Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760
Wisconsin	Wisconsin Securities Commission Securities and Franchise Registration 345 West Washington Street Madison, WI 53703 (608) 266-3431

AGENTS AUTHORIZED TO RECEIVE SERVICE OF PROCESS

We intend to register this Disclosure Document as a franchise in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agent for service of process in those states:

California	California Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013
Hawaii	Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General 500 South Second Street Springfield, Illinois 62706
Indiana	Indiana Secretary of State 302 W. Washington Street, Room E-111 Indianapolis, IN 46204
Maryland	Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020
Michigan	Michigan Department of Commerce Corporations and Securities Bureau 6546 Mercantile Way Lansing, Michigan 48910
Minnesota	Minnesota Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101
New York	Attention: New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
North Dakota	Insurance Commissioner North Dakota Insurance & Securities Department 600 East Boulevard Avenue, Dept. 401 Bismarck, ND 58505-0510

Oregon	Director Department of Insurance and Finance 700 Summer Street, N.E. Suite 120 Salem, Oregon 97310
Rhode Island	Director of Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, Rhode Island 02920
South Dakota	Director of the Division of Insurance Department of Labor and Regulation 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501
Virginia	Clerk of the State Corporation Commission 1300 East Main Street Richmond, Virginia 23219
Washington	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road Tumwater, Washington 98501
Wisconsin	Wisconsin Commissioner of Securities 345 West Washington Street, Fourth Floor Madison, Wisconsin 53703

EXHIBIT B

Financial Statements

FINANCIAL STATEMENT AND INDEPENDENT AUDITOR’S REPORT

BHF FRANCHISING, LLC

March 11, 2026

TABLE OF CONTENTS

RIVERO, GORDIMER & COMPANY, P.A.
CPAS AND ADVISORS

INDEPENDENT AUDITOR'S REPORT

Member
BHF Franchising, LLC

Opinion

We have audited the accompanying balance sheet of BHF Franchising, LLC (a Delaware limited liability company) as of March 11, 2026, and the related notes to the financial statement. In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of BHF Franchising, LLC as of March 11, 2026, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of BHF Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BHF Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statement is available to be issued.

One Tampa City Center • 201 N. Franklin St., Suite 2200 • Tampa, Florida 33602 • 813-875-7774 fax 813-874-6785 • www.rgcocpa.com

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BHF Franchising, LLC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BHF Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Rivero, Gordimer & Company, P.A.

Tampa, Florida
March 26, 2026

BHF Franchising, LLC

BALANCE SHEET

March 11, 2026

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 250,000
Total current assets	250,000
INTANGIBLE ASSETS	
Franchising agreements - $4,929,000, net of accumulated amortization of $0.	4,929,000
Goodwill - $1,000,000, net of accumulated amortization of $0.	1,000,000
Trademarks and domain names	4,509,000
Total other assets	10,438,000
TOTAL ASSETS	$ 10,688,000

LIABILITIES AND MEMBER'S EQUITY

CURRENT LIABILITIES	$ -
TOTAL LIABILITIES	-
MEMBER'S EQUITY	
Member's equity	10,688,000
TOTAL MEMBER'S EQUITY	10,688,000
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 10,688,000

The accompanying notes are an integral part of this financial statement.

NOTE A - DESCRIPTION OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the business and a summary of BHF Franchising, LLC's significant accounting policies consistently applied in the preparation of the accompanying financial statement follows:

1. Description of the Business

BHF Franchising, LLC (BHF) was formed in Delaware on January 14, 2026. BHF owns certain domains, trademarks and related franchising rights associated with the Buddy's Home Furnishings brand. BHF is a wholly owned subsidiary of BHF Operating Company, LLC (OpCo), which, in turn, is a wholly owned subsidiary of Buddy's Resurgence, LLC.

2. Use of Estimates

The preparation of the financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures of contingent assets and liabilities, at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

3. Concentration of Credit Risk

Financial instruments which potentially subject BHF to concentrations of credit risk are cash and cash equivalents. Occasionally cash deposits exceed Federal Deposit Insurance Corporation (FDIC) insured limits. Accordingly, BHF places its cash and cash equivalents in institutions it believes to be of high credit quality. Accounts at each institution are insured by the FDIC and at times, may exceed the federally insured limits. As of March 11, 2026, BHF had no significant concentrations of credit risk.

4. Cash and Cash Equivalents

BHF considers cash and cash equivalents to include highly liquid financial instruments with original maturities of three months or less.

5. Goodwill and Other Intangible Assets

On March 11, 2026, certain goodwill and other intangible assets were contributed to BHF by OpCo, with a total assigned value of $10,438,000. Goodwill with an assigned value of $1,000,000 was included in the intangible assets contributed to BHF.

NOTE A - DESCRIPTION OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Management elected to account for goodwill's subsequent measurement by applying the accounting alternative set forth in the FASB Accounting Standards Codification (ASC 350-20-35-62) which allows BHF to amortize goodwill over a useful life of 10 years using the straight-line method. Under this election, impairment is only tested if an event occurs or circumstances change that indicate that the fair value of the entity or reporting unit may be below its carrying amount, which is referred to as a triggering event. The operations are believed to justify no impairment loss in the current period. Accordingly, goodwill is not deemed to be impaired as of March 11, 2026.

Of the $10,438,000 of intangible assets contributed to BHF, $4,509,000 was assigned to the registered trademarks and domain names that were determined to have an indefinite life and not subject to amortization. Management expects to renew the registered trademarks and domain names indefinitely.

Additionally, $4,929,000 was assigned to BHF's franchise agreements. They are deemed to have a life of 10 years and they will be amortized using the straight-line method. Intangible assets at March 11, 2026 consist of the following:

,

Amortized intangibles:	
Franchise agreements	$ 4,929,000
Goodwill	1,000,000
Accumulated amortization	-
Balance, Net	5,929,000
Unamortized intangibles	
Trademarks and domain names	4,509,000
Total intangible assets	$ 10,438,000

Amortization expense for the period from March 11, 2026 through December 31, 2026 is estimated to be $479,193. Amortization expense for 2027 through 2030 is estimated to be $592,900 for each year of the four years.

6. Accounts Payable and Accrued Expenses

BHF records a liability when goods or services are received and charges the expense in the period the liability is incurred. There are no accounts payable or accrued expenses at March 11, 2026.

NOTE A - DESCRIPTION OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Income Taxes

BHF is a limited liability company that is wholly owned by its parent entity, which is taxed as a partnership for federal and state income tax purposes. For income tax purposes, BHF is treated as a disregarded entity, and accordingly, its activities are included in the tax filings of its parent. As a result, no provision for federal or state income taxes has been recorded in the accompanying financial statement. Any taxable income or loss generated by BHF is reported by the parent entity and is subject to income taxes at the partner level.

Management has evaluated BHF's tax positions and concluded that BHF has taken no uncertain tax positions that would require recognition or disclosure in the accompanying financial statement. BHF is not subject to federal or state income tax examinations separate from those of its parent.

NOTE B - RELATED PARTY TRANSACTIONS

On March 11, 2026, OpCo contributed goodwill and other intangible assets to BHF, totaling $10,438,000 and cash of $250,000.

NOTE C - SUBSEQUENT EVENTS

BHF has evaluated events and transactions occurring subsequent to March 11, 2026 as of March 26, 2026, which is the date the financial statements were available to be issued.

EXHIBIT C

Franchise Agreement

FRANCHISE AGREEMENT

between

BHF FRANCHISING, LLC

and

____
(Name of Franchisee)

Effective Date:

____
(To be completed by us)

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made on this _______ day of ___________________, 20___, (the "**Effective Date**") by and between BHF Franchising, LLC, a Delaware limited liability company having its principal place of business at 8529 Southpark Circle, Suite 410, Orlando, Florida 32819 ("**we**," "**us**" or "**our**") and ______________________________________ ("**you,**" or "**your**").

RECITALS

A. We and our affiliates own a distinctive System (defined below) for the operation of rent-to-own home furnishings, electronics and appliances businesses.

B. We have the right to use and sublicense others to use the System and the BUDDY'S HOME FURNISHINGS® trademark and other trademarks, trade names, and commercial symbols (the "**Trademarks**" as defined below) in connection with the operation of BUDDY'S HOME FURNISHINGS retail businesses (the "**Buddy's Retail Businesses**") within the United States.

C. You desire to obtain the right and we agree to grant you the right to develop and operate a Buddy's Retail Business using the System and the Trademarks, subject to the terms and conditions of this Agreement.

AGREEMENT

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

1. DEFINITIONS

Capitalized terms used but not otherwise defined herein shall have the following meanings:

(a) "**Approved Products and Services**" means the range, types and brands of household goods, consumer electronics, and consumer financial services associated with the BUDDY'S HOME FURNISHINGS brand which are specified in the Operations Manual as Core Products and Services or Optional Products and Services, or otherwise approved by us for sale in a Buddy's Retail Business.

(b) "**Authorized Location**" means the location where you are authorized to operate your Retail Business (defined below) and which is set forth in Exhibit A.

(c) "**Buddy's Retail Businesses**" means BUDDY'S HOME FURNISHINGS retail businesses developed and operated using the System and the Trademarks.

(d) "**Competitive Business**" means any rent-to-own, rental purchase, lease purchase or other business that sells, leases or rents home furnishings, electronics or appliances through any channel, including, without limitation, businesses conducted by means of retail outlets, the Internet, or direct marketing.

(e) "**Confidential Information**" means all proprietary information, knowledge, know-how, drawings, technology, marketing plans, strategic plans, business techniques, Consumer Data (as defined in Section 9(u)), methods of operation, procedures, supplies, computer systems and programs, the website, domain names and other online communications access and identification codes, data and statistics with respect to the System provided by us or our affiliates in the ordinary course of business, in any form including the Operations Manual and the System Standards regardless of whether such are labeled confidential, proprietary or trade secret. Confidential Information does not include information which is already in the public domain.

(f) "**Core Products and Services**" means the products and services that you are required to offer for sale in your Retail Business as further described in Section 9.

(g) "**General Manager**" means the individual who personally devotes his or her full time and attention and devotes his or her best efforts to the on-premises general management of the day-to-day operations of your Retail Business, as further described in Section 7(a).

(h) "**Gross Sales**" means all revenue that you receive or otherwise derive from operating your Retail Business, whether from cash, check, credit or debit card, gift card or gift certificate, or other credit transactions, and regardless of collection or when you actually provide the products or services in exchange for the revenue. If you receive any proceeds from any business interruption insurance applicable to loss of revenue at your Retail Business, there will be added to Gross Sales an amount equal to the imputed gross revenue that the insurer used to calculate those proceeds. Gross Sales does not include (1) any bona fide returns and credits that are actually provided to customers or (2) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority. You may not deduct payment provider fees (i.e., bank or credit card company fees and gift card vendor fees) from your Gross Sales calculation.

(i) "**Lease Contract**" means an agreement between a customer and you and/or your Retail Business that provides for the renting or leasing of consumer products or services.

(j) "**Owner**" means any person who directly or indirectly owns an interest in the franchise for your Retail Business, including the Principal Owner.

(k) "**Operations Manual**" means any confidential operating manuals and other written materials (including materials provided online or through other electronic media) covering the proper operating and marketing techniques of Buddy's Retail Businesses and the standards and specifications for implementing the System.

(l) "**Optional Products and Services**" means the products and services you may, at your option, offer for sale in your Retail Business, as further described in Section 9.

(m) "**Principal Owner**" means any individual who directly or indirectly owns a 51% or greater interest in you if you are a corporation, limited liability company or a similar entity other than a partnership entity. If you are a partnership entity, then each general partner is a Principal Owner, regardless of the percentage ownership interest. If you are one or more individuals, each individual is a Principal Owner. You must have at least one Principal Owner. Your Principal Owner(s) is identified on the Ownership and Management Addendum attached to this Agreement at Exhibit B. As used in this Agreement, any reference to Principal Owner includes all Principal Owners.

(n) "**System**" means the then-current distinctive system, including the Trademarks, System Standards, Operations Manual and other confidential information, developed and owned by or licensed to us for the development, construction and operation of BUDDY'S HOME FURNISHINGS retail outlets which offer high quality consumer goods and associated consumer financial services.

(o) "**System Standards**" means the then-current standards, requirements and specifications for the development, construction and operation of Buddy's Retail Businesses, including standards related to design, construction, signage, fixtures, equipment, use of the Trademarks, business techniques, methods of operation, procedures, products, service, marketing, advertising, sales promotion programs, communications, credit policies, personnel, training, purchasing and other standards, requirements and specifications contained in the Operations Manual.

(p) "**Trademarks**" means certain trade names, service marks, trademarks, logos, emblems and indicia of origin as are now designated and may be designated and changed in the future by us in writing for use in connection with the System, including the trademark "BUDDY'S HOME FURNISHINGS" and other commercial symbols. Trademarks also means the trade dress, which includes the designs, color schemes and image we authorize you to use in the operation of Buddy's Retail Businesses from time to time.

(q) "**Territory**" means the geographic area specified on Exhibit A. The Territory assigned to you may border and/or overlap with the customer base of a territory assigned to another System franchisee, as further described in Section 2.

(r) "**Website**" means an interactive electronic document, series of symbols or otherwise that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages.

2. GRANT OF LICENSE

(a) *Grant and Acceptance.* Upon the terms and conditions set forth in this Agreement, we hereby grant to you the right and license to establish and operate one Buddy's Retail Business at the Authorized Location (your "**Retail Business**"), which must be located in the Territory. You hereby accept said license and undertake the obligation to operate your Retail Business faithfully, honestly and diligently, using the System in compliance with the System Standards.

(b) *Your Rights.* During the term of this Agreement and provided that you are in compliance with the terms and conditions of this Agreement, we will not (i) modify the Territory without your written permission, or (ii) establish either a company-owned or franchised Buddy's Retail Business location within the Territory under the Trademarks, except as may be permitted under Section 2(e).

(c) *Restrictions on Your Rights.* The license granted herein is limited to the right to operate your Retail Business at the Authorized Location and you may not:

(i) sell products or services identified by the Trademarks through any other channels or methods of distribution (including the Internet or any other form of electronic commerce) or to any other person or entity for resale or further distribution;

(ii) subfranchise, sublicense, assign or transfer the rights under this Agreement, except as specifically provided in Section 13; or

(iii) use your Retail Business' premises or any part of your Retail Business' premises for any purpose other than your Retail Business established pursuant to this Agreement.

(d) *Our Retention of Rights.* You acknowledge and agree that we and our affiliates retain all rights not expressly granted to you under this Agreement and that we or our affiliates may, among other things, on any terms and conditions we deem advisable:

(i) establish and operate, and grant others the right to establish and operate, Buddy's Retail Businesses at any location outside the Territory regardless of the proximity of such Buddy's Retail Businesses to the Territory;

(ii) establish and operate, and grant others the right to establish and operate, on any terms and conditions that we deem appropriate, retail businesses, including Competitive Businesses, or any other similar or dissimilar businesses that are not primarily identified by the Trademarks at any locations, whether within or outside the Territory;

(iii) solicit and sell products or services to customers and prospective customers residing within the Territory, including, without limitation, by any method of distribution (other than the operation of a Retail Business in the Territory (except as permitted under Section 2(e))), including, but not limited to, by catalog, direct advertising over the Internet, or other electronic means;

(iv) merge with, acquire, establish or become associated with any businesses or locations of any kind under other systems and/or other marks, which businesses and locations may offer or sell items, products and services that are the same as or similar to the Approved Products and Services offered at or from your Retail Business and which may be located anywhere within or outside the Territory. Except as provided in Section 2(e) below, we may not grant a Competitive Business the right to use the Trademarks at a location in the Territory; and

(v) engage in any other business activities not expressly prohibited by this Agreement, both within and outside the Territory.

(e) *Conversion of Non-System Store.* If we acquire or any of our affiliates acquires any store operating under different trademarks that sells or leases the same, similar or different products and services as those offered and sold or leased by Buddy's Retail Businesses (each a "**Non-System Store**") within the Territory and we and/or our affiliates desire to convert such Non-System Store to a Buddy's Retail Business operating under the Trademarks, we shall deliver to you a written notice of such intent to convert (each, a "**Conversion Notice**"). Provided that you are in compliance with all of the provisions of this Agreement and no default, or event which with the giving of notice or passage of time or both would become a default, exists under this Agreement or any other agreement between you and us, you shall have the option, exercisable within 30 days after receipt of such Conversion Notice, to purchase the Non-System Store and convert it to a Buddy's Retail Business operating under the Trademarks by notifying us in writing. If you elect to purchase and convert the Non-System Store, you must consummate such purchase and execute our then-current franchise agreement and pay our then-current initial franchise fee (or, at our option, execute an amendment to this Agreement and pay our then-current initial franchise fee) within 30 days from the date of your notice to us of your election to purchase and convert. If we or our affiliate purchased the Non-System Store during the 180 days prior to our delivery of the Conversion Notice to you, the purchase price to be paid by you shall be the cash equivalent of the consideration paid by us or our affiliate for the Non-System Store (or, if we or our affiliate purchased the Non-System Store in a transaction which was for more than one Non-System Store, the cash equivalent of our or our affiliate's proportionate per store cost, as determined by us or our affiliate in our or its sole discretion). In addition to the purchase price payable under this Section 2(e), you shall reimburse us or our affiliate for the costs and expenses incurred by us or our affiliate in connection with the acquisition of the Non-System Store (prorated if the Non-System Store was acquired as part of a multiple store purchase). You acknowledge that the value of the Non-System Store may diminish during the 180-day period after our or our affiliate's acquisition of the Non-System Store. If we or our affiliate did not purchase the Non-System Store during the 180 days prior to delivery of the Conversion Notice, the purchase price, which shall be paid in cash, will be the fair market value of the

Non-System Store. If the parties cannot agree on fair market value within a reasonable time, such fair market value shall be determined by two independent appraisers, one of whom shall be chosen by us or our affiliate and the other of whom shall be chosen by you. If such appraisers cannot agree on such fair market value, they shall jointly choose a third independent appraiser whose decision shall be final and binding. Each party shall bear the cost for its chosen appraiser, and the cost for a third appraiser, if any, shall be shared equally between you and us or our affiliate. If you do not elect to purchase and convert the Non-System Store, we may convert and operate, or license a third party to convert and operate, the Non-System Store as a Buddy's Retail Business operating under the Trademarks, without incurring any liability to you. For the avoidance of doubt, nothing herein shall obligate us or our affiliates to convert any Non-System Store to a Buddy's Retail Business, and, further, we and our affiliates may operate any Non-System Store or any other Competitive Business under different trademarks and may operate or franchise a different line of business.

(f) *Business Entity Franchisee.* If you are a business entity or association including, but not limited to, a corporation, limited liability company or general or limited partnership (collectively, an "**Entity**"), you agree and represent that:

(i) You have the authority to execute, deliver and perform your obligations under this Agreement and all related agreements, and you are duly organized or formed and are validly existing in good standing under the laws of the state of your formation;

(ii) Your organizational documents (including, but not limited to, your bylaws, operating agreement or partnership agreement, as applicable) will recite that this Agreement restricts the issuance and transfer of any equity interests in you, and all certificates and other documents that represent equity interests in you will bear a legend referring to this Agreement's restrictions;

(iii) Exhibit B to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date. Subject to our rights and your obligations under Section 13, you and your owners agree to update and deliver to us revised Exhibits B to reflect any permitted changes in the information that Exhibit B now contains within a reasonable amount of time (not to exceed 30 days); and

(iv) Your development and operation of Buddy's Retail Businesses will be the only business you operate during the Term (as defined in Section 3) (although your owners may have other, non-competitive business interests).

3. TERM AND RENEWAL

(a) *Term.* The initial term of this Agreement is 10 years (the "**Term**"), commencing on the Effective Date. You agree to operate your Buddy's Retail Business in compliance with this Agreement for the entire Term unless this Agreement is properly terminated under Section 14.

(b) *Renewal.* You will have the right to renew this Agreement, at the expiration of the Term, for one additional term of 10 years, commencing immediately upon the expiration of this Agreement, provided that:

(i) you provide us with written notice of your intent to renew at least 12 months, but no more than 18 months, prior to the expiration of the Term;

(ii) you are not in default of this Agreement or any other agreement with us or our affiliates, and you have substantially complied with all the provisions of this Agreement, including, but not limited to, Section 2(f)(iv), and any other agreement with us or our affiliates;

(iii) you have satisfied, prior to renewal, all monetary obligations owed by you to us, our affiliates or your suppliers or creditors, whether pursuant to this Agreement or otherwise;

(iv) you are able to maintain possession of the premises or obtain possession of mutually agreeable alternate premises for your Retail Business for the duration of the renewal term and have agreed, in writing, to make such capital expenditures necessary to refurbish, replace and modernize your Retail Business so that it will conform to our then-current standards for Buddy's Retail Businesses;

(v) you pay us a renewal fee of $2,000;

(vi) you execute our then-current form of Franchise Agreement, which may contain terms and conditions substantially different from those set forth in this Agreement;

(vii) you comply with our then-current qualification, accreditation and training requirements, undertaking any training, assessments or examinations (including training for all communications systems including the Computer System) and comply with all of our other requirements applying to new System franchisees;

(viii) you reimburse to us all of our costs and expenses reasonably incurred as part of the renewal process; and

(ix) you and your Principal Owners and Personal Guarantors execute a general release of claims in the form we prescribe.

4. OUR OBLIGATIONS

(a) Subject to your continuing compliance with the terms of this Agreement, we will:

(i) grant you access to the Operations Manual;

(ii) provide the initial training program in accordance with Section 8(b);

(iii) provide site selection and build-out assistance in accordance with Section 6(a) or 6(d);

(iv) provide pre-grand opening advice and procedural assistance, upon your request, at a time and location of our choice, at least 30 days before opening;

(v) specify a list of products that are Approved Products and Services and approved supplies in accordance with Section 9(b);

(vi) establish and administer the Marketing Fund in accordance with Section 12(b); and

(vii) conduct from time to time such general advertising, marketing or promotion of the System as we consider appropriate.

You assume sole responsibility for the operation of your Retail Business and acknowledge that, while we may furnish advice and assistance to you from time to time during the Term, we have no legal or other obligation to do so except as specifically set forth in this Agreement.

(b) *Visits.* We or our representative(s), may make periodic visits to your Retail Business for the purposes of providing consultation, assistance, and guidance to you in any aspect of the operation and management of your Retail Business. We or our representative(s) who visit(s) your Retail Business may prepare, for the benefit of both us and you, written reports with respect to such visits outlining any suggested changes or improvements in the operations of your Retail Business and detailing any defaults in such operations which become evident as a result of any such visit. Failure by you to implement the improvements and suggested changes detailed in such a report will be considered a default under Section 14(b)(i).

5. FEES, REPORTING AND AUDIT RIGHTS

(a) *Initial Franchise Fee.* In consideration for the grant of license under this Agreement, you must pay to us an initial franchise fee (the "**Initial Franchise Fee**") as set forth on Exhibit A. The Initial Franchise Fee is due and payable in lump sum upon execution of this Agreement and is fully earned and non-refundable upon receipt.

(b) *Royalty Fee.* In addition to the Initial Franchise Fee and in consideration of the rights granted to you, you must pay to us a royalty fee in the amount of 6% of Gross Sales (the "**Royalty Fee**"). Notwithstanding the preceding sentence, you will not be required to pay the Royalty Fee with respect to Gross Sales generated during the reporting week in which your Retail Business opens for business and the 25-reporting week period thereafter, provided that: (1) your Retail Business was opened in accordance with Section 6(b); and (2) you are executing this Agreement in connection with your development of a new Buddy's Retail Business from the ground up. For the avoidance of doubt, the preceding sentence will not apply if you are executing this Agreement in connection with a transfer, renewal, or conversion. Royalty Fees must be paid weekly in accordance with the provisions of Sections 5(d) and 5(e) below.

(c) *Marketing Fee.* You must pay to us a marketing fund contribution in the amount of $175 per week (the "**Marketing Fee**") in accordance with the provisions of Sections 5(d) and 5(e) below. Throughout the Term, we have the right to increase the Marketing Fee from time to time upon written notice to you, provided that the Marketing Fee shall not exceed 2% of your annual Gross Sales.

(d) *Computations and Remittances.* You must pay the Royalty Fee, Marketing Fee and any other recurring payment to us weekly as follows:

(i) Each Sunday, we shall compute your Gross Sales for the period beginning at midnight on the preceding Sunday and ending at midnight on the Saturday after such preceding Sunday.

(ii) Before 12:00 p.m. local time in Orlando, Florida on the next business day after we make the computation in Section 5(d)(i) above, we shall notify you of the amount of Gross Sales computed by us.

(iii) After 2:00 p.m. local time in Orlando, Florida on the next business day after you are notified of the amount of our computation, we will withdraw pursuant to Section 5(e), from an account maintained by you and which permits direct withdrawals by us, all Royalty Fees, Marketing Fees and any other recurring payments due under this Agreement, whether calculated as a flat fee or based on the Gross Sales computed by Franchisor and based on the agreements between you and us and/or our affiliates. You must maintain a sufficient amount of funds in such account to allow permitted withdrawals by us.

(iv) If we are unable to calculate any fees or other amounts due to us and our affiliates, as provided in this Section 5(d), whether as a result of your failure to make the necessary information available to us, communications failures, force majeure or otherwise, we may estimate the amount of fees due and may make a corresponding withdrawal from your account. If we overestimate the amount of fees due from you, then you shall receive a credit for the overestimated amount against future fees when such amount has been determined. If we have underestimated the amount of fees due from you, then we shall be authorized to withdraw the amount of the underpayment from your account immediately upon such determination.

If you give a cash refund or credit to any customer, which refund or credit is for an amount previously included in Gross Sales upon which we have withdrawn Royalty Fees and Marketing Fees (if Marketing Fees are based on a percentage of Gross Sales) from your account, you shall promptly enter the amount of such refund or credit into the Computer System. We will deduct the amount of each such refund or credit from our first computation of Gross Sales which occurs after you enter the amount of such refund or credit into the Computer System.

If any amount of Gross Sales upon which we have withdrawn fees from your account is subsequently uncollected by you, you shall promptly enter such uncollected amount into the Computer System. We shall deduct each such uncollected amount from our first computation of Gross Sales that occurs after you have entered such uncollected amount into the Computer System. If any amount entered into the Computer System by you as uncollected is subsequently collected by you, you shall promptly enter such amount into the Computer System, and we shall add such amount to our first computation of Gross Sales which occurs after you have entered such amount into the Computer System.

If any dispute arises as to the amount of any payment or fee withdrawn by us from your account, our books and records shall be treated as conclusive evidence of the correct amount, except to the extent that either we or you can show a clear error in our computation. The amounts set forth in our books and records with respect to each withdrawal shall be final and binding, unless either we or you notify the other in writing of any objection to the amount of such withdrawal no later than 30 days after such withdrawal. You and we shall promptly make all reasonable efforts to resolve any such dispute within a reasonable time after such notification.

(e) *Electronic Transfer of Funds.* You must sign an electronic transfer of funds authorization, the current form of which is attached as Exhibit C, and such other documents as we designate from time to time, to authorize and direct your bank or financial institution to transfer either electronically or through some other method of payment designated by us to transfer electronically directly to our account or our affiliates' and to charge to your account all amounts due to us or our affiliates. Your authorizations must permit us and our affiliates to designate the amount to be transferred from your account. You must maintain a balance in your account sufficient to allow us and our affiliates to collect the amounts owed when due. You are responsible for any penalties, fines, fees or other similar expenses associated with the transfer of funds described in this Section.

(f) *Interest Charges; Late Fees*. Any and all amounts that you owe to us or to our affiliates will bear interest at the rate of 18% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In addition to interest charges on late Royalty Fee and Marketing Fee payments, you must pay to us a service charge of $100 for each delinquent report or payment that you owe to us under this Agreement. A payment is delinquent for any of the following reasons: (i) we do not receive the payment on or before the date due; or (ii) there are insufficient funds in your account to collect the total payment by a transfer of funds on or after the date due. The service charge is not interest or a penalty; it is only to compensate us for increased administrative and management costs due to late payment.

(g) *No Subordination.* You may not subordinate to any other obligation your obligation to pay us the royalties or any other fee or charge payable to us, whether under this Agreement or otherwise.

(h) *Books and Records.* You must maintain and preserve for the time period specified in the Operations Manual full, complete, and accurate books, records, and accounts in accordance with the standard accounting system prescribed by us in the Operations Manual or otherwise in writing. We have the right to require submission of any reports electronically via the Computer System and, as described in Section 9(o), we have the right at any time to retrieve and use any data and information from the Computer System that we deem necessary or desirable.

(i) *Daily and Monthly Reporting Obligation.* Each day you must enter into the Computer System all transactions related to your Retail Business, including the amount of Gross Sales and gross receipts of your Retail Business and the amount of sales tax. You must submit to us, on or before the 10th day of each calendar month, a monthly report in the form we periodically prescribe. The monthly report will include, but will not be limited to, the following information for the previous month: (i) an accurate list of names, addresses and contact details of all your suppliers, (ii) a report of all customer information collected in connection with any customer loyalty program; and (iii) a detailed profit and loss statement within 60 days of the end of each month.

(j) *Additional Reports.* You also must, at your expense, submit to us within 90 days after the end of each fiscal year a detailed balance sheet, profit and loss statement and statement of cash flows for such fiscal year, prepared in accordance with generally accepted accounting principles. We may require that the annual financial statements be reviewed by a certified public accountant. You must certify that all reports are true and correct. You acknowledge and agree that we have the right to impose these requirements on you regardless of whether we impose the same requirement on our other System franchisees.

(k) *Right to Inspect and Audit.* We or our authorized representatives have the right at all times during the business day to enter the premises where your books and records relative to your Retail Business are kept and to evaluate, copy and audit such books and records. We also have the right to request information from your suppliers and vendors. In the event that any such evaluation or audit reveals any understatement of your Gross Sales, you must pay for the audit, and in addition to any other rights we may have, we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably deem necessary for up to two years thereafter. Any such further audits and examinations will be at your sole expense, including any professional fees, travel and room and board expenses we incur related thereto. Furthermore, if you intentionally understate or underreport Gross Sales at any time or a subsequent audit or evaluation conducted within the two-year period reveals any understatement of your Gross Sales by 2% or more, in addition to any other remedies provided in this Agreement, we have the right to terminate this Agreement immediately. In order to verify the information that you supply, we have the right to reconstruct your sales through the inventory extension method or any other reasonable method of analyzing and reconstructing sales. You agree to accept any such reconstruction of sales unless you provide evidence in a form satisfactory to us of your sales within 14 days of the date of our notice of understatement or variance.

6. PREMISES STANDARDS AND MAINTENANCE

(a) *Site Selection.* You are responsible for leasing or purchasing a site that meets our site selection guidelines in accordance with the terms and conditions of this Section 6. For each proposed site for a Retail Business, you must complete and deliver to us for our review a complete site report and other materials and information that we request. The Retail Business must be located at a site that we have accepted in writing. We will use our reasonable efforts to review and either accept or reject a site you propose within 30 days after receiving the complete site report and other materials and information we request. If we have not delivered to you written notice of our acceptance of a proposed site within 30 days after receiving the complete site report, that site will be deemed rejected. We have the absolute right to reject any site that does not meet our criteria. After our consent has been obtained, the location will become the Authorized Location and be included on Exhibit A. Our recommendation indicates only that we believe that the site meets or has the potential to meet, or that we have waived, the general criteria of site acceptability that we have established as of that time. Applying criteria that have appeared effective for other sites might not accurately reflect the potential for all sites, and, after we recommend or accept a site, demographic and/or other factors included in or excluded from our site criteria could change, thereby altering a site's potential. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if the site fails to meet our or your expectations. Your acceptance of the rights under this Agreement is based on your own independent investigation of, or agreement in the future to investigate, the site's suitability.

(b) *Opening.* You may not open your Retail Business for business until we have notified you in writing that you have satisfied your pre-opening obligations as set forth in Sections 6(c) and 6(d) and we have approved your opening date. Your Retail Business must be open and operating within 270 days of the Effective Date and within 150 days after the date the Authorized Location is designated unless we authorize in writing an extension of time. We are not responsible or liable for any pre-opening obligations, losses or expenses you might incur for your failure to comply with these obligations or your failure to open by a particular date. If we determine, in our sole discretion, that you in good faith have used, and are continuing to use, your best efforts to open and commence operations of your Retail Business within the time periods required under this Section, then upon your written request, and execution of the withdrawal authorization form required by us, we may permit you to extend, for up to 12 months, the date by which you must open and commence operating your Retail Business. We are not obligated to extend the opening date. You must (i) make your written request for an extension before the expiration of the missed required opening date and (ii) have paid the entire Initial Franchise Fee. Only then will you be eligible for an extension program, which consists of monthly withdrawals by us from your account for the extension period (in accordance with Sections 5(d) and 5(e)) per the following schedule: $1,500 per month for each of the first 6 months of any extension and $2,500 per month for months 7-12 of any extension. The monthly extension fees due under this Section shall be drafted from the account specified in such withdrawal authorization form until your Retail Business opens. The monthly extension fees paid under this Section shall not be refunded under any circumstances and shall not be credited against any fee payable to us. Notwithstanding the foregoing, if we grant you any extension under this Section and we subsequently determine, in our sole reasonable discretion, that you are not using your best efforts to open and commence operations of your Retail Business within a reasonable period of time following the date of our grant of an extension, we may terminate the extension grant to you. The termination of any extension grant by us shall be deemed a default under Section 14(b)(ii)(C).

(c) *Lease from third-party*. If a third-party will grant a lease or sublease for the premises of the Authorized Location, you must obtain our approval of the lease, and you and the landlord must execute a lease addendum in the form attached as Exhibit E.

(d) *Pre-Opening Build Out.* Subject to Section 6(e), you agree that, promptly after obtaining occupancy of the Authorized Location, you must meet the following build out requirements:

(i) you must construct, build out and equip your Retail Business in compliance with our current approved specifications and standards pertaining to equipment, inventory, signage, fixtures, furnishings, accessory features and design and layout;

(ii) you must have prepared and submitted for our approval a site survey and basic architectural plans and specifications consistent with our general atmosphere, image and color scheme requirements as set forth in the Operations Manual;

(iii) you may not commence build out and construction of your Retail Business until you have received our written consent to your construction plans;

(iv) you must obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;

(v) you must comply with all applicable legal requirements relating to the building, signs, equipment and premises, including but not limited to, compliance with the Americans with Disabilities Act;

(vi) you must use duly licensed and insured contractors approved by us for all construction, equipment installation and build out;

(vii) you must obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and

(viii) if you fail to complete the requirements of all of the provisions of this Section 6(d) within the required timeframe for opening your Retail Business (unless extended pursuant to Section 6(b)), you will be in default pursuant to Section 14(b)(i).

(e) *Future Alteration*. Any change to the building plans or any replacement, reconstruction, addition or modification in the building, interior or exterior décor or image, equipment or signage of your Retail Business to be made after our consent is granted for initial plans, whether at the request of you, us or a third party may be made only with our prior written consent. You may not commence such replacement, reconstruction, addition or modification until you have received our written consent to your revised plans. In addition to your obligations under Section 6(d), during the Term, but not more frequently than once every five years during the Term and as a condition to your exercising your right to renew this Agreement, we may require you, at your sole cost and expense, to refurbish, remodel and improve the Retail Business to conform your building design, trade dress, color schemes, and presentation of Trademarks to our then-current specified public image, as set forth in the Operating Manual. Such remodeling may include extensive structural changes to the Retail Business and replacement or modification of furnishings, fixtures and equipment, as well as such other changes as we may direct, and you shall undertake such a program promptly upon notice from us, and shall complete any such remodeling as expeditiously as possible, but in any event within 90 days of commencing same (and no later than the commencement of the renewal term (if applicable)), unless we expressly agree to a longer period of time.

(f) *Maintenance*. The building, equipment, fixtures, furnishings, signage and trade dress (including the interior and exterior appearance) employed in the operation of your Retail Business must be maintained and refreshed in accordance with our requirements established periodically and any of our reasonable schedules prepared based upon our periodic evaluations of the premises. Within a period of 30 to 60 days (as we determine depending on the work needed) after the receipt of a report prepared following an evaluation, you must complete the items of maintenance we designate, including the repair of defective items and the replacement of irreparable or obsolete items of equipment and signage. If, however, any condition presents a threat to customers or public health or safety, you must complete the items of maintenance immediately, as further described in Section 9(l). If you fail to complete the require maintenance, we reserve the right to do so on your behalf and you must reimburse us for our costs and expenses.

(g) *Relocation*. You may not relocate your Retail Business without our prior written consent. Should it become necessary to relocate your Retail Business on account of condemnation, destruction or expiration or cancellation of your lease for reasons other than your breach, we will grant you authority to do so at a site acceptable to us that is within the Territory, is reasonably suited for a Buddy's Retail Business, does not infringe on the rights of any other System franchisee, and is reasonably distant from other Buddy's Retail Businesses provided that (i) your new Retail Business is open and operating within 120 days after your discontinuing operation of your Retail Business at the Authorized Location, all in accordance with our current standards at that time, and (ii) you reimburse us for our costs and expenses incurred in connection with the relocation (including legal fees and time spent by our employees).

(h) *Modernization or Replacement*. From time to time as we require, you must effect items of modernization or replacement of the building, premises, trade dress, trade fixtures, flooring, equipment and grounds as may be necessary for your Retail Business to conform to the standards for similarly situated new Buddy's Retail Businesses. Furthermore, in addition to performing general, continued maintenance and refreshing of the premises when necessary in accordance with Section 6(f), you must effect any required expenditures for equipment or leasehold improvements necessary to prepare new product offerings. You acknowledge and agree that the requirements of this Section are both reasonable and necessary to ensure continued public acceptance and patronage of Buddy's Retail Businesses and to avoid deterioration in connection with the operation of your Retail Business. If you fail to make any improvement or comply with our standards, we may, in addition to our other rights in this Agreement, effect such improvement or maintenance on your behalf and you must reimburse us for the costs we incur.

7. PERSONNEL AND SUPERVISION STANDARDS

(a) *Supervision of the Business*. You may operate your Retail Business with a General Manager who is not the Principal Owner only with our express written permission. Your Retail Business must at all times be under the direct supervision of the General Manager who is identified on Exhibit B. Any individual who will serve as your General Manager must satisfy any requirements or qualifications we establish for general managers under the System and attend and complete any training program we require for general managers. You also must submit an updated Exhibit B. During any absence of your General Manager, your Retail Business must be under the direct, on-premises supervision of a fully-trained manager who meets our qualifications for supervision of your Retail Business. You must replace any General Manager who does not meet our qualifications for a general manager under the System.

(b) *Training*. Prior to commencement of your Retail Business at least two individuals, including your General Manager and such other individuals we designate, must attend and successfully complete our initial training program at a place we designate. There is no charge for any of your required trainees to attend our initial training program, provided that all of them are trained at the same time. Any replacement General Manager must also complete our initial training program to our satisfaction. If any of your representatives attend a subsequent initial training program (including, but not limited to, in circumstances where the representative is repeating the program, replacing a person who did not pass the program, or assuming the position of General Manager (or such other position for which we require attendance at our initial training program), we may charge our then-current initial training fee for each representative that attends such training, which will be no more than $1,000 per day per trainee. You acknowledge that we have no obligation to refund such training fee, in whole or in part, for any reason. You are responsible for all room, board and travel expenses you and your representatives incur during initial (or any other) training. You understand that you may not open or operate your Retail Business until and unless you successfully complete the initial training program. Failure by you, your General Manager or any other individual designated under this Section to complete the training program to our satisfaction will constitute a default under Section 14(b). Notwithstanding anything to the contrary in this Agreement, we reserve the right, in our sole discretion, to conduct any and all training, classes, courses, meetings, and conferences in person or via recorded media, teleconference, videoconference, the Internet, webinar, or any other means, as we determine.

(c) *Ongoing Training*. We may provide and require your Principal Owner, General Manager and your other employees as we designate to attend and successfully complete ongoing training not to exceed 10 days per year. There will be no charge for training programs that we require you or your employees to attend, but we may charge you a reasonable fee for optional training programs. You are responsible for all room, board and travel expenses during ongoing training. In addition, if you are given notice of default as set forth in Section 14(a) and the default relates, in whole or in part, to your failure to meet any operational standards, we may require as a condition of curing the default that your General Manager and such other employees as we deem appropriate, at your expense, again attend and successfully complete our training program at a place we designate and, at our election, pay us a reasonable fee for each representative that attends such remedial training.

(d) *Hiring and Staffing*. You must at all times maintain a sufficient number of trained employees to properly and efficiently service your customers. You must conduct background checks on any prospective employees. You must hire and supervise efficient, competent, and courteous persons as your employees for the operation of your Retail Business and set and pay their wages, commissions and incentives with no liability on us. No employee of yours will be deemed to be an employee of ours for any purpose whatsoever. However, we reserve the right to prohibit you from employing individuals with criminal histories which, if such history became known to the public, could compromise or negatively impact the image of our brand. We do not share or codetermine the terms and conditions of employment of your employees nor do we affect matters relating to the employment relationship between you and your employees, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. Employees at your Retail Business are your employees and will be under your control in implementing and maintaining operational standards at your Retail Business. As the franchisor of Buddy's Retail Businesses, we do not engage in any employer-type activities for which you are responsible such as employee selection, promotion, termination, hours worked, rates of pay, work assigned, discipline and working conditions.

(e) *Attendance at Meetings*. Your Principal Owner, General Manager and such other employees as we designate must, at your expense, attend all conferences, conventions, seminars or meetings that we hold for System franchisees to set forth new methods and programs for operation, training, management, sales or marketing. If your Principal Owner and General Manager are unable to attend any such meeting, you must notify us prior to the meeting and have a substitute person from your business, acceptable to us, attend and represent you at such meeting.

8. YOUR OTHER OBLIGATIONS; NON-COMPETE COVENANTS; SECURITY INTEREST

(a) *Payment of Debts*. You agree to pay promptly when due (i) all payments, obligations, assessments and taxes due and payable to us and our affiliates, to vendors, suppliers, lessors, federal, state or local governments, or creditors in connection with your Retail Business; (ii) all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with your Retail Business; and (iii) all accounts and other indebtedness of every kind incurred by you in the conduct of your Retail Business. In the event you default in making any such payment, we are authorized, but not required, to pay the same on your behalf, and you agree promptly to reimburse us on demand for any such payment.

(b) *Taxes and Indebtedness*. You must promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by you in the operation of your Retail Business. You must pay us or our affiliates within 10 days after demand: (i) all sales taxes, corporate taxes, trademark license taxes and any like taxes imposed on, required to be collected by or paid by us or our affiliates on account of products or services we or our affiliates furnish to you or arrange to furnish to you, or on account of our or our affiliates' collection of any fee related to this Agreement (including products and services you purchase in connection with your Retail Business); (ii) all franchise or like taxes, whether based on gross receipts, gross sales, royalty fees, contributions to the Marketing Fund, or otherwise imposed on, required to be collected by or paid by us or our affiliates; and (iii) all other amounts we or our affiliates pay or must pay for you for any reason.

(c) *Indemnification by You*. Nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf or to incur any debt or other obligation in our name, and we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor will we be liable by reason of any act or omission of yours in your operation of your Retail Business or for any claim or judgment arising against you or us from your operation of your Retail Business. You waive all claims against us for damages to property or injuries to persons arising out of the operation of your Retail Business. You must fully protect, defend, indemnify and hold us, our affiliates and the officers, directors, employees, agents, attorneys and shareholders of ours and our affiliates (the "**Indemnitees**") harmless from and against any and all causes of action, claims, proceedings, losses, costs, expenses, liabilities, litigation, damages or other expenses (including settlement costs and attorneys' fees) of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of your Retail Business (regardless of cause or any concurrent or contributing fault or negligence of us or our affiliates), your conduct under this Agreement, any breach by you, your failure to comply with the terms and conditions of this Agreement, or your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation, including any allegation that we or another Indemnitee is a joint employer or otherwise responsible for your acts or omissions relating to your employees. You agree that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees will have the right to: (i) choose counsel; (ii) direct, manage and/or control the handling of the matter; and (iii) settle on behalf of the Indemnitees, and/or you, any claim against the Indemnitees in their sole discretion. Indemnitees' exercise of these rights does not affect your obligation to indemnify and hold us harmless in accordance with this Section. All vouchers, canceled checks, receipts, receipted bills or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnitee will be taken as evidence of your obligation under this Agreement. This Section will survive the expiration or termination of this Agreement and applies to such claims even if they exceed the limits of your insurance coverage.

(d) *Insurance Coverage.* You must purchase and maintain in full force and effect, at your expense, insurance that insures both you and us, our affiliates and any other persons we designate by name. The insurance policies must be issued by a reputable insurance company licensed to do business in the state in which the Retail Business is located and have a Policyholders Rating of "A" or better, as assigned by Alfred M. Best and Company, Inc., or comparable rating service, and must include, at a minimum, the coverages we specify in the Operations Manual or otherwise in writing.

(e) *Alternate Insurance Coverage*. If you can purchase insurance policies at better terms than that offered by any company we specify pursuant to Section 8(d), carrying at a minimum the same coverages and under the same terms and conditions as we specify pursuant to Section 8(d), then we may, at our sole option, authorize you to purchase such alternative insurance policies. If we authorize you to purchase such alternative insurance policies, you must purchase and maintain in full force and effect, at your expense, insurance that insures both you and us, our affiliates and any other persons we designate by name. The insurance policies must include, at a minimum, the coverages specified by us pursuant to Section 8(d) and included in the Operations Manual or otherwise prescribed in writing.

(f) *Insurance Commencement, Proof and Changes.* The required insurance coverage must commence as of the date the building lease begins, you commence construction of your Retail Business, or on the date you publicly disclose or identify the site as the site of your Retail Business, whichever occurs earlier. All insurance policies must name us and any of our affiliates that we designate as additional insureds and provide for 30 days' prior written notice to us of a policy's material modification or cancellation. You must deliver to us at commencement of coverage and annually, or at our request, a valid certificate of insurance or duplicate insurance policy, as we require, evidencing that you have maintained the required coverage and paid the applicable premiums. We may increase the amounts of coverage required and/or require different or additional insurance coverage at any time by providing written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the System, standards of liability and higher damage awards. If you fail to obtain or maintain (or to prove that you have obtained or maintained) the insurance required by this Agreement, in addition to our other remedies, we have the right, but not the obligation, to obtain the required insurance coverage for you and your Retail Business on your behalf, in which event you will cooperate with us and reimburse us for all premiums and the costs and expenses that we incur in obtaining and maintaining the insurance.

(g) *Necessity of Covenants*. You acknowledge and agree that (a) you and the other individuals and entities required to comply with Sections 8(h) and 8(i) have received an advantage through the specialized training provided under this Agreement, the knowledge of the day-to-day operations of a Buddy's Retail Business and access to our standards, the Operations Manual, the System, the Confidential Information and our trade secrets, (b) are not designed to deprive you of a means of livelihood and will not do so and (c) the covenants and restrictions in Sections 8(h) and 8(i): (i) are reasonable, appropriate and necessary to protect our standards, the System, the Confidential Information, our trade secrets, other System franchisees, the goodwill of the System, relationships with our prospective and existing customers, and our legitimate interests and (ii) do not cause undue hardship on you or any of the other individuals and entities required by Sections 8(h) and 8(i) to comply with the covenants and restrictions. Unless otherwise specified, the term "you" as used in Sections 8(h) and 8(i) includes, collectively and individually, all Principal Owners, guarantors, officers, directors, members, managers, partners, as the case may be, and holders of any ownership interest in you.

(h) *In Term Non-compete Covenants*. You covenant that during the Term you will not, either directly or indirectly, for yourself or through, on behalf of or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in any Competitive Business other than one authorized by any other agreement between us and you.

(i) *Post Term Non-compete Covenants*. You covenant that you will not, for a period of one year after the expiration or termination of this Agreement, regardless of the cause of termination, or within one year of the sale of your Retail Business or any interest in you, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in a Competitive Business: (A) at the Authorized Location; (B) in the Territory; (C) within a 15 mile radius of the Territory; or (D) within a 15 mile radius of the location of any Buddy's Retail Business, whether franchised or owned by us or our affiliates.

(j) *Non-compete; Additional Terms.* You agree that the length of time in Section 8(i) will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. You further agree that, during the Term, and for one year thereafter, you will not, without our prior written consent, directly or indirectly, for yourself or on behalf of any other person or entity, divert, or attempt to divert, any business or customer of your Retail Business or any other Buddy's Retail Business away from the System. Further, the in-term non-compete in Section 8(h), the post-term non-compete in Section 8(i), and the non-compete in the preceding sentence shall not apply to any 5% or less ownership interest in a publicly traded company that operates a similar business. You understand and acknowledge that we have the right, in our sole discretion, to reduce the scope of any obligation imposed on you by Sections 8(h) and/or 8(i), and that such modified provision shall be effective upon your receipt of written notice thereof from us.

(k) *Liquidated Monetary Damages*. If you fail to comply with any of the covenants not to compete in Sections 8(h), 8(i), and 8(j), you agree to pay us, as partial liquidated monetary damages, Royalty Fees and Marketing Fees, as set forth in Section 5, against the greater of: (1) the total Gross Sales during the 12-month period preceding the breach; or (2) the total revenue you received in breach of the applicable covenant(s) not to compete. The greater of these two dollar figures shall be multiplied by two to give consideration to lost repeat and referral business to us. You acknowledge that any breach of any of the covenants not to compete in this Agreement causes damage to the integrity of the BUDDY'S HOME FURNISHINGS franchised system, loss of franchisees and customer goodwill, and irreparable harm. You specifically acknowledge that the full measure of these damages is greater than that specified herein.

(l) *Grant of Security Interest.* For valuable consideration, receipt of which is hereby acknowledged, you hereby grant to us a security interest in all of your right in your leasehold interest for your Retail Business and in all of your assets, whether now owned or hereafter acquired, used in connection with your Retail Business, including, without limitation, all goods, equipment (other than leasehold improvements which constitute fixtures), accounts, merchandise, inventory, investment property, general intangibles (including general intangibles that are classified otherwise under Revised Article 9 of the UCC), documents, instruments, chattel paper (including, but not limited to, the Lease Contracts), balances, and books and records, and all products and proceeds of the foregoing and any other property, and any and all additions and accessions thereto, all substitutions and replacements therefore and all products and proceeds thereof or proceeds of insurance thereon, as security for the payment of all obligations owed by you to us or any of our affiliates including, without limitation, all obligations under this Agreement, all amounts due to us or our affiliates by virtue of the franchise relationship created under this Agreement, all purchases of the Approved Products and Services from us or our affiliates, the purchase price of any products and goods, and any and all other fees and amounts owed by you to us or our affiliates under this Agreement. You acknowledge that this Agreement shall constitute a security agreement under the UCC for purposes of establishing the respective rights of us and you in the above-described personal property and the enforcement of such security interest against you. You hereby authorize us simultaneously with the execution of this Agreement to file one or more financing statements pursuant to the UCC. We agree not to record any such financing statement until a mutually acceptable location for your Retail Business has been agreed upon by you and us. Upon the occurrence of any of the events described in Section 14 of this Agreement, we shall have the rights and remedies of a secured party under the UCC.

9. PRODUCTS AND OPERATIONS STANDARDS AND REQUIREMENTS

(a) *Products and Services*. You may offer and sell only Approved Products and Services in connection with the Trademarks and your Retail Business and must offer for sale the complete range of Core Products and Services as set forth in the Operations Manual and such Optional Products and Services as will enable you to efficiently and profitably operate your Retail Business. You must maintain in stock an inventory of Approved Products and Services sufficient to meet customer demand and as set forth in the Operations Manual. You may not offer, sell or supply any products or services which are not Approved Products and Services (including products or services that we have withdrawn as described in Section 9(d)) without our prior written consent. You must also conform to all quality and customer service standards we prescribe in writing.

(b) *Vendors and Suppliers*. We will furnish you with lists of approved supplies and approved suppliers (including lists of Approved Products and Services). You must only use Approved Products and Services, equipment, fixtures, furnishings, signs, advertising materials, trademarked items, novelties and other items in your Retail Business as set forth in the approved supplies/services and approved suppliers lists, as we may amend from time to time. We reserve the right to approve and change the manufacturer or supplier for approved supplies/services. You acknowledge and agree that certain approved supplies/services may only be available (due to availability or our restrictions on whom you must purchase from) from one source or select suppliers designated by us, and we and/or our affiliates may be the only source. You will pay the then-current price in effect for approved supplies/services you purchase from us or our affiliates. All products, equipment, supplies, services and other items used in the operation of your Retail Business that are not included in approved supplies/services or approved suppliers lists must conform to the specifications and standards we establish from time to time. We reserve the right to establish a distribution center, or designate a distributor(s) for the System, for Approved Products and Services and require System franchisees to purchase Approved Products and Services from our distribution center, or a distributor(s) designated by us (no matter if there are alternate suppliers/distributors for the Approved Products and Services that are available to you).

(c) *NO WARRANTY.* ALTHOUGH APPROVED BY US, WE MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO PRODUCTS, SERVICES, EQUIPMENT, SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED PRODUCTS AND SERVICES. WE, HOWEVER, WILL PASS THROUGH ANY APPLICABLE MANUFACTURER WARRANTIES ON PRODUCTS AND EQUIPMENT THAT YOU PURCHASE FROM US, SUBJECT TO ALL WARRANTY TERMS AND CONDITIONS IMPOSED BY THE MANUFACTURER.

(d) *Withdrawal of Products.* We may at any time require you to withdraw from supply in your Retail Business any Approved Products and Services or any other product or service which in our reasonable opinion (i) does not conform or no longer conforms with the standards, quality controls and specifications for products or services to be supplied in a Buddy’s Retail Business; (ii) does not conform or no longer conforms with the range of products or services to be supplied in a Buddy’s Retail Business; or (iii) is, or may be, a health or safety risk. You must immediately withdraw any products from sale or lease when we require under this Section.

(e) *Alternate Suppliers.* The Approved Products and Services may have a single source supplier designated by us or other suppliers designated by us and you may not be able to use alternate suppliers. If we permit any items to be submitted for approval as Approved Products and Services or permit any Approved Product and Service to be a source from a supplier other than our designated single-source supplier or other select suppliers designated by us, you may propose the item and/or a supplier not on our approved list for our prior written approval. We may require you to submit sufficient information, specifications and samples concerning the item or supplier for us to determine whether the item or supplier meets our criteria. If we do not notify you within 30 days of receipt of your request whether any proposed item or supplier is approved, the proposed item or supplier is deemed disapproved. We may from time to time prescribe procedures for the submission of requests for approved supplies or suppliers and obligations which approved suppliers must assume. Regardless of whether we approve your request, you must reimburse us for all costs and expenses that we incur in reviewing the alternative item or supplier, including our time spent on the review of the alternative supply or supplier. Our determination of approved suppliers, brands, manufacturers, distributors or supplies/services will be based on a variety of criteria which may include quality, design, price, insurance, distribution methods, supplier considerations and compatibility with the System.

(f) *Buddy's Purchasing Program*. If your Retail Business is located in the contiguous United States, you will purchase Approved Products and Services, excluding applicable services ("**Approved Products**"), through the Buddy's Purchasing Program ("**BPP**"), the requirements and terms of which are set forth in the Operations Manual. In connection with the BPP, we will provide you purchasing support in the form of purchase order creation, monthly invoicing (currently, with payments made to us), reconciliation of invoices, and assistance in filing and tracking freight and warranty concerns. We will provide the foregoing services to you at no additional cost; however, we will retain any and all rebates received in connection with your purchases of Approved Products through the BPP. We reserve the right to change the requirements and/or terms of, and/or discontinue, the BPP at any time upon written notice to you.

If you default with respect to your obligations under this Agreement or any other agreement with us, we may, in our sole discretion, upon written notice to you, suspend and/or terminate your participation in the BPP, and you will be required to establish direct credit lines with approved and designated suppliers for your purchase of Approved Products. In such event, the applicable approved and designated suppliers will submit your orders for Approved Products to our purchasing department, which will, in turn, create the purchase orders therefor. We will charge you 2% of the total invoice price for all purchase orders created by us pursuant to this paragraph. We will, in our sole discretion, determine the circumstances (if any) under which we will reinstate you into the BPP.

(g) *Our Right to Derive Revenue on Your Purchases and Leases*. We and/or our affiliates may derive revenue based on your purchases and leases from us or our affiliates or suppliers that we designate, approve, or recommend, including, without limitation, from promotional allowances, volume discounts, and other amounts paid to us and our affiliates by such suppliers and in connection with the BPP. We and our affiliates may use all such revenue without restriction and for any purposes we and our affiliates deem appropriate. We are not required to give you an accounting of any amounts we or our affiliates receive from supplier or manufacturers, other than certain required disclosures (if applicable) included in the BUDDY'S HOME FURNISHINGS Franchise Disclosure Document provided to you in connection with your execution of this Agreement, or to share the benefit of such amounts with you or other System franchisees.

(h) *Pricing of Products and Services*. We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for Approved Products and Services.

(i) *Operations Manual*. To help protect our reputation and goodwill and to maintain uniform operating standards under the Trademarks and System, you must conduct your Retail Business in accordance with the required standards and procedures contained in the Operations Manual. You acknowledge that we are providing you with access to the Operations Manual during the Term and that the Operations Manual is at all times our sole property. You must at all times treat and maintain the Manuals and the information contained therein and any other proprietary information created for or approved for use in the operation of your Retail Business as secret and confidential. We may from time to time revise the contents of the Operations Manual and you expressly agree to comply with each new or changed standard. You must at all times ensure that your copy of the Operations Manual is kept current and up to date. In the event of any dispute as to the contents of the Operations Manual, the terms of the master copy of the Operations Manual we maintain will be controlling. You acknowledge and agree that in the future the Operations Manual and other system communications may only be available on the Internet, our intranet system or other online or computer data transfer communications.

(j) *Operating Procedures*. The Operations Manual contains both requirements and recommendations for the operation of a Buddy's Retail Business. You must adopt and use the required standards, procedures, techniques and systems described in the Operations Manual. We will revise the Operations Manual and their standards, procedures, techniques and systems periodically to meet changing conditions of operation in the best interest of all businesses operating under the Trademarks. Any required standards exist to protect our interest in the System and the Trademarks and not for the purpose of establishing any control, or the duty to take control, over those matters that clearly are reserved to you.

(k) *Customer Experience Programs*. As required by us, we may establish, or contract with third-parties to provide, customer service, shopper experience, or other service programs designed to audit, survey, or evaluate business operations for Buddy's Retail Businesses ("**Customer Experience Programs**"). You must participate in all Customer Experience Programs we designate for the System and pay any fees associated with your Retail Business. We have the right to specify all aspects of Customer Experience Programs, the required level of participation for System franchisees, and the provider of the Customer Experience Programs (which may be us or an affiliate of ours).

(l) *Evaluations*. We or our authorized representative have the right to enter the Authorized Location at all reasonable times during the business day for the purpose of making periodic evaluations and to ascertain whether you are observing the provisions of this Agreement, to inspect and evaluate your premises used for your Retail Business, and to test, sample, inspect and evaluate your products and services provided to customers. If we determine that any condition at the premises of your Retail Business presents a threat to customers or public health or safety, we may take whatever measures we deem necessary, including requiring you to immediately close your Retail Business until the situation is remedied to our satisfaction. Our inspections and evaluations may include Customer Experience Programs. If you fail any inspection or evaluation, you must pay the costs and expenses of subsequent "mystery shopper" visits. Further, failure of an inspection or evaluation is a default under Section 14.

(m) *Continuous Operation of Business*. Subject to any contrary requirements of local law, your Retail Business must be opened to the public and operated during the core hours designated in the Operations Manual. You acknowledge and agree that if your Retail Business is closed for a period of two consecutive days or five or more days in any 12-month period without our prior written consent, such closure constitutes your voluntary abandonment of the franchise and business and we have the right, in addition to other remedies provided in this Agreement to terminate this Agreement.

(n) *Compliance with Law*. You must at all times conduct your Retail Business in compliance with all applicable laws, regulations, codes and ordinances and secure and maintain in force all required licenses, permits and certificates (including all applicable laws and regulations applicable to lease transactions). You must promptly notify us of any claim or litigation or proceeding in which you are involved that arises from the operation of your Retail Business. You shall secure and maintain in force all required licenses, permits and certificates relating to the operation of your Retail Business and shall operate your Retail Business in full compliance with all applicable laws, including the Americans with Disabilities Act (ADA); the CAN-SPAM Act; the Telephone Consumer Protection Act (TCPA), the Telemarketing Sales Rule (TSR), and other federal and state anti-solicitation laws regulating phone calls, spamming, and faxing; and federal and state laws that regulate data security and privacy (including the use, storage, transmission, and disposal of data, regardless of media type).

(o) *Computer System*. To ensure the efficient management and operation of your Retail Business, and the transmission of data to and from us, your Retail Business must have, use and maintain, (i) such computer and communication hardware and point of sale system hardware, handheld computer devices or accessories, required dedicated telephone, broadband and/or other Internet and communication access services and power lines, modems, printers, facsimile and other computer related accessories or peripheral equipment as we specify in the Operations Manual or otherwise in writing, and (ii) computer and communication software, used to record, analyze and report sales, inventory and tax information, as we specify in the Operations Manual or otherwise in (collectively, the "**Computer System**"). You must obtain from us our technology package ("**IT Package**") that includes a lease of certain equipment and hardware aspects of the Computer System, a software license(s) for certain software portions of the Computer System, and certain related services. You will sign a Technology Agreement with us to obtain the IT Package, and you must pay us all fees due under the Technology Agreement. You must obtain the IT Package from us, and you may not obtain any portion of the Computer System that is part of the IT Package from anyone other than us. We reserve the right to discontinue providing the IT Package at any point during the Term and require you to obtain replacement products from an alternate supplier(s). In addition to the IT Package, we reserve the right to designate a single source from whom you must purchase other portions of the Computer System and we may be the designated single source for such other portions of the Computer System or a designated supplier for certain aspects of the Computer System. In addition to the Technology Agreement, you must sign such agreement(s) designated by us to obtain the Computer System or services necessary for the Computer System. You may not use any unapproved hardware or software or component of the Computer System that has not been obtained from the source(s) we designate. You agree to the following:

(i) Your Computer System must have the capacity to electronically exchange information, messages and other data with other computers, by such means (including the Internet and the Intranet), and using such protocols (e.g. TCP/IP), required in the Operations Manual or otherwise in writing. You must maintain at all times, access to the Intranet in the manner specified by us in the Operations Manual or otherwise in writing. If required by us, you must execute such agreements or acknowledge such policies as we may prepare for use of the Intranet, and you agree at all times to comply. You must maintain (i) an email account for our direct correspondence with the General Manager; and (ii) a separate email account for your Retail Business;

(ii) You will provide us with full access to the Computer System and to all data associated with the operation of your Retail Business. We will have the right, at any time, to retrieve data and information relating to the operations of your Retail Business from your Computer System through direct access, by internet connection, modem or other requested means and use it for any reasonable business purpose both during and after the Term. We may specify in the Operations Manual or otherwise in writing the information that you must collect and maintain on the Computer System installed at your Retail Business, and you must provide to us reports as we may request from the data collected and maintained, which must be in the form and format we designate;

(iii) You must keep your Computer System in good maintenance and repair and, at your expense, must promptly install such additions, changes, modifications, substitutions and/or replacements to the Computer System, telephone and power lines and other computer related facilities, as we direct. Subject to the requirements in this Agreement, you will have the sole and complete responsibility for: (a) acquiring, operating, maintaining and upgrading your Computer System; (b) the manner in which your Computer System interfaces with our computer systems and the computer systems of third parties; and (c) any and all consequences that may arise if your Computer System is not properly operated, maintained or upgraded;

(iv) We may develop or authorize others to develop software programs for use in the System, which you may be required to purchase and/or license and use in connection with your Retail Business and for which you may be required to execute a license, sublicense or maintenance agreement with us or the approved vendor. All right, title and interest in software programs will remain with the licensor of the software programs;

(v) If required by us, you must: (i) contract with us or any service providers designated by us to provide infrastructure, platforms and/or computing services and resources to be used in connection with or as part of the Computer System (e.g. web hosting services, cloud computing services) as required by us in the Operations Manual or otherwise; or (ii) obtain such services and resources under any contracts or arrangements we establish to obtain such services and resources for the System. You acknowledge that we will have no liability to you in connection with any Computer System problems, including any problems caused by any approved supplier or service provider providing products or services related to the Computer System; and

(vi) You may not use or download any software programs on your computer unless it has been authorized by us in writing. In the event that you use or download any unauthorized software programs, you are liable for all damages and problems caused by the unauthorized software program in addition to our other remedies provided under this Agreement.

(p) *Participation in an Internet Website or Other Online Communications*. You specifically acknowledge and agree that any Website shall be deemed advertising and marketing materials under this Agreement and will be subject to (among other things) our approval under the provisions of Section 12(c) below. In connection with any Website, you agree to the following:

(i) We will have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Trademarks, any or all of the Approved Products and Services offered under the System, Buddy's Retail Businesses, the franchising of Buddy's Retail Businesses and/or the System ("**System Website**"). We will have the sole right to control all aspects of the System Website, including, without limitation, its design, content, functionality, links to the Websites of third parties, legal notices, and policies and terms of usage. We reserve the right to require you to fulfill any e-commerce order placed on the System Website. We will also have the right to discontinue operation of the System Website;

(ii) You shall not establish a separate Website that displays or uses the Trademarks, or any marks confusingly similar thereto, or that refers to this Agreement, your Retail Business, the Approved Products and Services offered under the System, us, Buddy's Retail Businesses or the System. If you register any domain name in violation of this Section, in addition to all other rights and remedies of ours under this Agreement, we will have the right to require you to transfer any such registration(s) to us or our designee, at your expense;

(iii) We will have the right, but not the obligation, to designate one or more webpage(s) to describe you and/or your Retail Business ("**Webpage(s)**"), with such WebPage(s) to be located within the System Website. You shall comply with our policies with respect to the creation, maintenance and content of any such WebPage(s); and we will have the right to refuse to post and/or discontinue posting any content and/or the operation of any WebPage(s). We may charge you a reasonable fee in connection with WebPage(s) used in connection with your Retail Business; and

(iv) We will have the right to modify our policies and requirements regarding Websites as we may determine is necessary or appropriate.

Additionally, we may establish and require you, at your expense, to participate in a or multiple intranet/extranet systems or other online communication systems providing private and secure communications between us, you, System franchisees, and other persons and entities as determined by us, in our sole discretion (each, an "**Intranet System**"). We have the right to determine the content and use of any Intranet Systems and will establish the rules under which System franchisees may participate. We retain all rights relating to Intranet Systems and may alter or terminate any Intranet System without prior notice to you. Your general conduct on Intranet Systems and specifically your use of the Trademarks or any advertising on Intranet Systems is subject to the provisions of this Agreement. You acknowledge and agree that certain information obtained through your participation in Intranet Systems may be considered Confidential Information, including access codes and identification codes. Your right to participate in, and have access to, Intranet Systems will terminate when this Agreement expires or terminates.

(q) *Social Media*. You must comply with the System Standards developed by us for the System, in the manner directed by us in the Operations Manual or otherwise, with regard to our authorization to use, and use of, blogs, common social networks (including "Facebook" and "Myspace"), professional networks (including "LinkedIn"), live blogging tools (including "Twitter"), virtual worlds, file , audio and video sharing sites and other similar social networking media or tools ("**Social Media**") that in any way references the Trademarks or involves the System or your Retail Business.

(r) *Collection of Information; Privacy*. We may, from time to time, specify in the Operations Manual or otherwise in writing the information that you must collect and maintain on the Computer System installed at your Retail Business, and you must provide to us such reports as we may reasonably request from the data so collected and maintained. All data pertaining to or derived from your Retail Business (including without limitation data pertaining to or otherwise about your Retail Business' customers) is and will be our exclusive property, and we hereby grant a royalty-free non-exclusive license to you to use said data during the Term. You must abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**"). You must comply with our standards and policies pertaining to Privacy Laws. If there is a conflict between our standards and policies pertaining to Privacy Laws and actual applicable law, you must: (A) comply with the requirements of applicable law; (B) immediately give us written notice of said conflict; (C) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law. You must not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent.

(s) *Signage*. We shall provide to you one or more exterior signs for the premises of your Retail Business, which sign(s) shall be leased by us to you pursuant to a Signage Lease Agreement, the current form of which is attached as Exhibit F. You shall make weekly lease payments to us under the Signage Lease Agreement. The size of the signs and number of signs shall be determined by us in our sole discretion. We may limit our acquisition cost of the exterior signage leased to you under this Section to a maximum amount of $30,000. At our option, we have the right to delegate these obligations related to signage.

(t) *Customer Relations*. You shall take such steps as are necessary to ensure that your employees preserve good customer relations; render competent, prompt, courteous and knowledgeable service; and meet such minimum standards as we may establish from time to time in the Operations Manual. You and your employees shall handle all customer complaints, refunds, returns and other adjustments in a manner that will not detract from the name and goodwill of us and the System. You must: (i) comply with our customer complaint resolution; and (ii) reimbursing us promptly if we elect to resolve a customer complaint (through a credit or other means) because you fail to do so as or when we require. As part of your obligation to preserve good customer relations, you must comply with customer service policies and procedures (the "**Customer Service Policies**") as detailed in the Operations Manual or otherwise. You acknowledge and agree that the Customer Service Policies may obligate you to provide services and support to customers that have purchased Approved Products and Services through a Buddy's Retail Business and moved into the Territory. The Customer Service Polices may require you to purchase customer contracts from another Buddy's Retail Business or reinstate customer contracts for Approved Products and Services that were originally purchased through another Buddy's Retail Business. You acknowledge and agree that the Customer Service Policies may require you to incur additional or extra operational expenses, but the reputation and goodwill of the System necessitates the Customer Service Policies. We reserve the right to change or revise the Customer Service Policies.

(u) *Consumer Data*. You must comply with our reasonable instructions regarding the organizational, physical, administrative, and technical measures and security procedures to safeguard the confidentiality and security of the names, addresses, telephone numbers, e-mail addresses, dates of birth, demographic or related information, buying habits, preferences, credit-card information, and other personally-identifiable information of customers (collectively, "**Consumer Data**") and, in any event, employ reasonable means to safeguard the confidentiality and security of Consumer Data. You must comply with all laws governing the use, protection, and disclosure of Consumer Data. If there is a suspected or actual breach of security or unauthorized access involving the Consumer Data (a "**Data Security Incident**") at or in connection with the Retail Business, you must notify us immediately after becoming aware of the actual or suspected occurrence, specify the extent to which Consumer Data was compromised or disclosed, and comply and cooperate with our instructions for addressing the Data Security Incident in order to protect Consumer Data and the BUDDY'S HOME FURNISHINGS brand (including giving us or our designee access to your Computer System, whether remotely or at the Retail Business). We (and our designated affiliates) have the right, but not the obligation, to take any action or pursue any proceeding or litigation with respect to the Data Security Incident, control the direction and handling of such action, proceeding, or litigation, and control any remediation efforts.

(v) *Customer List.* You acknowledge and agree that we are the sole owners of the Retail Business's customer lists ("**Customer Lists**"), and you may not distribute the Customer Lists to any third party, in any form or manner, without our prior written consent. Despite our ownership of the Customer Lists, you may use the Customer Lists in connection with the Retail Business's operation and as otherwise permissible under this Agreement. During the Term, we and our affiliates reserve the right to communicate with and provide notifications to customers appearing on the Customer Lists and to use the Customer Lists for any business purpose we and they deem necessary or appropriate (to the extent allowed by applicable law). Upon expiration (without a successor franchise) or termination of this Agreement, you and your affiliates may not use the Customer Lists in any form or manner.

(w) *Membership in Association of Progressive Rental Organizations.* At all times during the Term, you must be a member in good standing of the Association of Progressive Rental Organizations and pay all applicable membership fees and any other fees required in connection with such membership.

10. TRADEMARKS

(a) *Ownership of Trademarks.* You acknowledge that you have no ownership interest whatsoever in the Trademarks and that your rights to use the Trademarks is limited to the conduct of your Retail Business pursuant to and in compliance with this Agreement. Any unauthorized use of the Trademarks by you, your affiliates or any related entities constitutes an infringement of our and our affiliates' rights in and to the Trademarks. You agree that all usage of the Trademarks by you and any goodwill established thereby will inure to our and our affiliates' exclusive benefit. You acknowledge that this Agreement does not confer any goodwill or other interest in the Trademarks upon you. Without limiting anything in this Section 10, you agree that you: (i) will not represent that you have acquired any ownership interest in any of the Trademarks; (ii) will not contest, or assist any other party to contest, our rights in the Trademarks; and (iii) will not otherwise take any actions in derogation of our use of or rights to the Trademarks.

(b) *Use of Trademarks.* You may not use, or permit the use of, any trademarks, trade names or service marks in connection with your Retail Business except the Trademarks or as we otherwise direct in writing. You must use the Trademarks only in connection with such products and services as we specify in writing and only in the form and manner we prescribe in writing.

(c) *Business Identification.* You must use the name "BUDDY'S HOME FURNISHINGS" as the trade name of your Retail Business and no other words may be used to identify your Retail Business without our prior written consent. You may not use any Trademarks as part of any corporate or business entity name or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form without our written consent. You must post a sign in the form and location we designate at the Authorized Location putting your customers on notice that your Retail Business is independently owned and operated by you as our franchisee.

(d) *Identification of Trademarks.* You may use the Trademarks on various materials, such as business cards, receipts, stationary, purchase orders, invoices and checks, provided they: (i) accurately depict the Trademarks on the materials; (ii) include a statement on the materials, in immediate proximity to the Trademark, indicating that you independently own and operate your Retail Business; and (iii) do not use the Trademarks in connection with any other trademarks, trade names or service marks except when we specifically approve it in writing prior to the use.

(e) *Infringements.* In the event any person or entity improperly uses or infringes the Trademarks or challenges your use or our use or ownership of the Trademarks, we will control all litigation and we have the right to decide as to whether suit will be instituted, prosecuted or settled, the terms of settlement and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you are aware. You must promptly inform us of any claim arising out of your use of any Trademark and must, without compensation, cooperate with us in any action we undertake. We or our affiliate will be responsible for our fees and expenses with any such action, unless the challenge or claim results from your misuse of the Trademarks in violation of this Agreement, in which case you must reimburse us for our fees and expenses.

(f) *Modifications.* You may not make any modifications or substitutions to the Trademarks unless directed by us in writing. We reserve the right to change the Trademarks at any time. Upon our notice to you, you must, at your expense, cease using the former Trademarks and commence using the changed Trademarks. In the limited circumstance that we require you to change the Trademarks in response to a third party claim that its rights to use the Trademarks are superior to our rights, you must make the change at your expense, except that we will reimburse you for any new signage that we determine is necessary, provided that you have cooperated with any action we undertook with regard to the third party claim. We will not reimburse you for any other costs, alleged losses or expenses associated with any Trademark change. All provisions of this Agreement applicable to the Trademarks apply to any additional trademarks, service marks and commercial symbols we hereafter authorize you to use pursuant to this Agreement.

11. CONFIDENTIAL INFORMATION, INNOVATIONS, COPYRIGHTS

(a) *Confidential Information.* You acknowledge that the Confidential Information is disclosed to you by us and that the Confidential Information is proprietary, confidential and our trade secret. You agree that you will maintain the confidentiality of the Confidential Information both during and after the term of this Agreement, disclosing the Confidential Information to your employees only to the extent necessary for compliance with this Agreement. You agree that you will not use Confidential Information in any business other than your Retail Business or in any manner not specifically approved in writing by us.

(b) *Innovations.* You must not implement any change to the System without our prior written consent. Without limiting any other provisions in this Agreement, we have the exclusive (i) right of ownership and use, and (ii) authority to license all ideas, plans, innovation, enhancement, improvements, invention, concepts, formulas, ideas, methods and techniques relating to the development or operation (including marketing, advertising and promotions) of a Buddy's Retail Business or any similar business conceived, suggested or developed by you, any Principal Owner or your employees during the term of this Agreement (collectively, "**Innovations**"). You will disclose to us any Innovations. We will have all right, title and interest in any Innovations, and you will have no (1) right, title or interest in any and all Innovations or (2) right to copyright, register and/or protect any Innovations in your name. We and our affiliates own and have the right to authorize other Buddy's Retail Businesses to use any Innovations without any compensation to you, any Principal Owner or your employees. If we, at our sole discretion and expense, elect to file a copyright, domain name registration or similar protection or registration relating to any such Innovations, you will execute such documents and provide us with such information as we may reasonably request in order to perfect such a filing. We will not be obligated to approve or accept any request to implement any Innovation. We may from time to time revoke our approval of any particular change or amendment to the System. Upon receipt of written notice of such revocation, you must modify your activities in the manner described by us. Nothing in this Section modifies your obligation to comply with System Standards and the Operations Manual.

(c) *Copyrights.* You hereby acknowledge and agree that the ownership of all printed, audio and visual material and any other material whatsoever (including all Confidential Information) being part of your Retail Business, Buddy's Retail Businesses or the System (the "**work**") belongs to us or our affiliates and any copyright in respect to the work belongs to us. In addition, You acknowledge that you have no right to manufacture any component of the work or duplicate the work and agree to purchase all components of (or rights of access to) the work exclusively from us. You have no right to claim any proprietary interest in any of the work. You must immediately notify us of any known infringement to the work or to our copyright interest therein. We have the right to control any litigation related to our copyrights or the work. You agree to assist us, as directed by us, in any claim or action against the infringer.

(d) *Modification of System-Exercise of Judgment*. You recognize and agree that from time to time hereafter we may change or modify the System as then-presently described in the Operations Manual and the Trademarks . You will accept and use for the purposes of this Agreement any such changes in the

System as if they were part of this Agreement as of the Effective Date. You will make such expenditures as such changes or modifications in the System may reasonably require. You shall not change, modify, or alter the System in any way without our prior written consent. We have the right to operate, develop, and change the System in any manner that is not specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right to take or to withhold an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise its rights based on information readily available to us and our judgment of what is in its and/or the System's best interests at the time its decision is made, without regard to either whether we could have made other reasonable or even arguably preferable alternative decisions or whether its decision promotes its financial or other individual interest.

12. MARKETING

(a) *Marketing Fund*. You must pay us the Marketing Fee set forth in Section 5(c). All Marketing Fees will be placed in a Marketing Fund that we own and manage (the "**Marketing Fund**"). The Marketing Fund is not a trust or escrow account and we have no fiduciary obligation to System franchisees with respect to the Marketing Fund. We have the right to determine the expenditures of the amounts collected and the methods of marketing, advertising, media employed and contents, terms and conditions of marketing campaigns and promotional programs. We will direct all programs that the Marketing Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Marketing Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining an electronic commerce Website and/or related strategies; administering regional and multi-regional marketing and advertising programs including, but not limited to, purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities (including Social Media). Because of the methods used, we are not required to spend a prorated amount on each store or in each advertising market. We have the right to make disbursements from the Marketing Fund for expenses incurred in connection with the cost of formulating, developing and implementing marketing, advertising and promotional campaigns. The disbursements may include payments to us for the expense of administering the Marketing Fund, including accounting expenses and salaries and benefits paid to our employees engaged in the advertising functions. If requested, we will provide you an annual unaudited statement of the financial condition of the Marketing Fund.

(b) *Local Marketing Expenditures*. You must use your best efforts to promote and advertise your Retail Business and participate in any local marketing and promotional programs we establish from time to time. In addition to the Marketing Fee, you must spend quarterly at least 2% of your Gross Sales for that quarter on approved local marketing and promotion. Throughout the Term, we have the right to increase your required minimum local marketing expenditure from time to time, subject to the restriction in the last sentence of this Section 12(b). Within 30 days after the end of each quarter, you must provide us with itemization and proof of your local marketing expenditures and an accounting of the monies that you have spent for approved local marketing. If you fail to make (or prove that you made) the required minimum local marketing expenditure for any quarter, we may, in addition to and without limiting our other rights and remedies, invoice you for such shortfall. We will, at our election, contribute such shortfall to the Marketing Fund or spend such shortfall for local marketing for your Retail Business, with such local marketing to be determined by us in our sole discretion. The total amount that you are required to pay, spend, and/or contribute in the form of Marketing Fees, required minimum local marketing expenditures, and/or Marketing Cooperative (as defined in Section 12(d)) contributions in any calendar year will not exceed 4.5% of Gross Sales in such year.

(c) *Approved Materials*. You must use only such advertising and marketing materials as we furnish, approve or make available, and the materials must be used only in a manner that we prescribe. Further, any promotional activities you conduct at your Retail Business or on its premises are subject to our approval. We will not unreasonably withhold approval of any sales promotion materials and activities; provided that they are current, in good condition, in good taste, accurately depict the Marks and are used in a manner that we have prescribed. We will approve or decline proposed marketing materials within 14 days of receipt.

(d) *Marketing Cooperatives*. We have the right to designate local advertising markets ("**Marketing Cooperatives**") and, if designated, you must direct some or all (as designated by us) of your local marketing expenditures to the Marketing Cooperative in your designated local advertising market. Each Buddy's Retail Business within a designated local advertising area will be a member of the applicable Marketing Cooperative and each Buddy's Retail Business will have one vote on all matters requiring a vote. We reserve the right to designate the bylaws that govern the operation of Marketing Cooperatives, although the bylaws cannot modify the voting structure set forth in the prior sentence. We may also designate the amount that you must contribute to the Marketing Cooperative. Any dispute that arises in any Marketing Cooperative regarding the amount or usage of such local marketing expenditures will be resolved by us in our sole discretion.

(e) *Promotional Programs; Customer Loyalty Programs*. You must participate fully in any promotional programs that we specify from time to time. You must also participate fully in any customer loyalty programs we establish from time to time, including (i) purchasing from us any cards, application forms and other materials for use in connection with any customer loyalty program; and (ii) honoring any customer loyalty points or rewards a customer has accrued whether from your Retail Business or elsewhere. You acknowledge and agree that (i) we may vary the terms or withdraw from supply of the cards, application forms and other materials used in connection with a customer loyalty program; and (ii) when a customer redeems customer loyalty points at your Retail Business, you are not entitled to reimbursement for the costs of goods provided to the customer in exchange for the redemption.

(f) *Grand Opening Promotion.* You must conduct certain advertising and public relations activities in connection with the opening of your Retail Business, as we specify in writing. You must spend a minimum of $10,000 on these grand opening activities.

13. TRANSFER OF FRANCHISE

(a) *Transfer by Us*. We have the right to sell, transfer, subcontract or assign, in whole or in part, our interest in and our rights and obligations under this Agreement.

(b) *Transfer by You - Definition.* In this Agreement, transfer means any sale (including installment sale), transfer, merger, conveyance, lease, give away, pledge, mortgage, assignment, bequest, gift, or other encumbrance, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings) of: (i) any interest in this Agreement, (ii) any interest in your Retail Business, (iii) any interest in the Authorized Location, (iv) the lease, or any interest in the lease, for the Authorized Location, (v) if you are a business entity, any ownership interests in you, (vi) substantially all of the assets of your Retail Business, or (vii) all or part of the daily operation of your Retail Business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee.

(c) *No Transfer Without Our Consent.* We have entered into this Agreement with specific reliance upon your financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of your Retail Business. Consequently, neither you nor any of your owners may undertake any transfer or permit any transfer to occur without first tendering to us the right of first refusal in accordance with Section 13(h) and, if we do not exercise such right, obtaining our prior written consent, and complying with the transfer conditions described in Section 13(f). You must notify us immediately of any proposed transfer and must submit promptly to us the application for consent to transfer. Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void.

(d) *Insolvency*. In the event of your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your interest in this Agreement or the business conducted hereunder, such person first must notify us, tender the right of first refusal provided for in Section 13(h), and if we do not exercise such right, must apply for and obtain our consent to the transfer and satisfy the transfer conditions described in Section 13(f). In addition, you or the assignee must pay the attorneys' fees and costs that we incur in any bankruptcy or insolvency proceeding pertaining to you.

(e) *No Publicity of Transfer.* You may not place in, on or upon the location of your Retail Business, within the Territory, or in any communication media or any form of advertising, any information relating to the sale of your Retail Business or the rights under this Agreement, without our prior written consent.

(f) *Conditions of Transfer*. Application for our consent to a transfer and tender of the right of first refusal must be made by submission of our form of application for consent to transfer, which must be accompanied by the documents (including a copy of the proposed purchase or other transfer agreement) or other information that we require. Any agreement used in connection with a transfer will be subject to our prior written approval. We condition our consent to any proposed transfer upon the following:

(i) the assignee must meet all of our then-current requirements for new System franchisees, including, but not limited to, authorizing all background and credit checks, possessing sufficient net worth and sources of capital and being qualified to provide active supervision over the operation of your Retail Business;

(ii) the assignee must assume all of your obligations in connection with your Retail Business;

(iii) all of your ascertained and liquidated debts in connection with your Retail Business, including amounts owed to us or any of our affiliates or your suppliers must be paid in full;

(iv) you are not in default under any provision of this Agreement;

(v) the assignee executes our then-current form of franchise agreement for a new 10-year term and all other agreements, instruments and legal documents then customarily used by us with respect to new System franchisees, which may vary materially from the agreements, legal instruments and documents currently in use by us, including the payment of higher fees;

(vi) if your Retail Business has not been modernized pursuant to Section 6(h) within 3 years of the proposed transfer, that the assignee must, at assignee's expense and in a manner satisfactory to us, modernize, refurbish, and/or renovate your Retail Business, and expend such funds as we require in doing so, to conform to the image and standards for similarly situated new Buddy's Retail Businesses, including structural changes, remodeling, redecoration and modifications to existing improvements;

(vii) the assignee must complete the training program required of new System franchisees;

(viii) you or the assignee has paid a transfer fee of $10,000;

(ix) in the case of an installment sale for which we have consented that you or any Principal Owner retain a security interest or other financial interest in this Agreement or the business operated thereunder, you or such Principal Owner, and the guarantors, are obligated to guarantee the performance under this Agreement until the final close of the installment sale or the termination of such interest, as the case may be;

(x) you, your Principal Owner and each guarantor must sign a general release of all claims arising out of or relating to this Agreement, your Retail Business, the Authorized Location or the parties' business relationship, in the form we designate, releasing us and our affiliates;

(xi) you, your Principal Owner and all guarantors, officers, directors and shareholders agree to comply with the post-term non-compete covenant set forth in Section 8(i); and

(xii) you and/or the assignee must have complied with any other conditions that we reasonably require from time to time as part of our transfer policies.

(g) *Death, Disability or Incapacity*. If any individual who is a Principal Owner dies or becomes disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as a Principal Owner, such person or entity must apply for our consent under Section 13(c) and satisfy the transfer conditions as in any other case of a proposed transfer, all within 120 days of the death or event of disability or incapacity. During any transition period to an heir or successor-in-interest, your Retail Business still must be operated in accordance with the terms and conditions of this Agreement. During any transition period, in addition to collecting any other fees due to us under this Agreement, we retain the right, at our sole option, to assume management and control of the day to day operations of your Retail Business. If we assume management and control responsibilities during such transition period, we will be reimbursed from the revenues of your Retail Business for our reasonable expenses in conducting such activities. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no transfer fee will be payable to us and we will waive the right of first refusal set forth in Section 13(h).

(h) *Right of First Refusal*. We have the right, exercisable within 30 days after receipt of your notice of your intent to transfer and such documentation and information that we require, to send written notice to you that we intend to purchase the interest proposed to be transferred. We may assign our right of first refusal to a third party either before or after we exercise it. If the transfer is proposed to be made pursuant to a sale, we or our assignee may purchase the interest proposed to be transferred on the same economic terms and conditions offered by the third-party. Closing on the purchase must occur within 60 days after the date of our notice to the seller electing to purchase the interest (or, if the parties cannot agree on the cash equivalent as provided in the following sentence, within 60 days after the appraisers' determination). If we cannot reasonably be expected to provide the same consideration as the third-party, we may substitute the reasonable equivalent in cash. If you and we cannot agree on the reasonable equivalent in cash within a reasonable time, the fair market value of the interest proposed to be transferred will be determined by two independent appraisers, one of whom will be chosen by us and the other of whom will be chosen by you. If such appraisers cannot agree on such fair market value, they will jointly choose a third independent appraiser, whose decision will be final and binding. Each party will bear the cost for its chosen appraiser, and the cost of the third appraiser, if applicable, will be shared equally between the parties. We may purchase the interest at the fair market value determined by the appraisers or may elect at that time to not exercise our rights. Any material change in the terms of the third party offer after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer. In addition, unless otherwise agreed to in writing by us and you, the transaction documents, which we will prepare, will be those customary for this type of transaction and will include representations and warranties then customary for this type of transaction. If we and/or our designee decline to exercise the right of first refusal granted under this Section, that decision will not constitute our consent to the proposed transfer or waiver of any other provision of this Section 13 with respect to the proposed transfer.

14. DEFAULT AND TERMINATION

(a) *Defaults*. You are in default if we determine that you or any Principal Owner or guarantor has breached any of the terms of this Agreement or any other agreement between you and us or our affiliates, which without limiting the generality of the foregoing, includes: (i) making any false report to us; (ii) failing to pay when due any amounts required to be paid to us or any of our affiliates, any vendor or any other third party for expenses related to your Retail Business; (iii) conviction of you, a Principal Owner, or a guarantor of (or pleading no contest to) (A) any felony or (B) any misdemeanor that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your or our reputation or the goodwill of any of the Trademarks, your Retail Business or the System; (iv) filing of tax or other liens that may affect this Agreement, voluntary or involuntary bankruptcy by or against you or any Principal Owner or guarantor, insolvency, making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors.

(b) *Termination by Us*. We have the right to terminate this Agreement in accordance with the following provisions:

(i) *Termination After Opportunity to Cure*. Except as otherwise provided in this Section 14:

(A) you will have 30 days from the date of our issuance of a written notice of default to cure any default under this Agreement, other than a failure to pay amounts due or submit required reports, in which case you will have 10 days to cure those defaults;

(B) your failure to cure a default within the 30-day or 10-day period will provide us with good cause to terminate this Agreement;

(C) the termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for the termination; and

(D) the termination will be effective immediately upon our issuance of the written notice of termination.

(ii) *Immediate Termination With No Opportunity to Cure*. In the event any of the following defaults occurs, you will have no right or opportunity to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination:

(A) any material misrepresentation or omission in your franchise application or willful and material falsification of any report, statement or other written data furnished to us;

(B) your voluntary abandonment of this Agreement, the Authorized Location or the Territory;

(C) your failure to timely cure a default under your lease, the loss of your right of possession of the Authorized Location, your failure to open the Retail Business for business in accordance with this Agreement, or your failure to relocate in accordance with 6(h);

(D) any unauthorized use of the Confidential Information;

(E) insolvency of you, a Principal Owner or guarantor;

(F) you, a Principal Owner or a guarantor making an assignment or entering into any similar arrangement for the benefit of creditors;

(G) you, any Principal Owners or guarantors are convicted of (or pleading no contest to) (1) any misdemeanor that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your or our reputation or the goodwill of the Trademarks, your Retail Business or the System, or (2) any felony;

(H) you, any Principal Owner, guarantor or an affiliate of any of you are listed by the United States or the United Nations as being a terrorist, financier of terrorism, or otherwise restricted from doing business in or with the United States;

(I) you make any unauthorized transfer or assignment in violation of Section 13; or

(J) any default by you that is the third same or similar default within any 12-month consecutive period.

(iii) *Immediate Termination After No More than 24 Hours to Cure.* In the event that a default under this Agreement occurs that materially impairs the goodwill associated with any of the Trademarks (other than as provide in 15(b)(ii)(H) above), violates any health safety law or regulation, or if the operation of your Retail Business presents a health or safety hazard to your customers or to the public:

(A) you will have no more than 24 hours after we provide written notice of the default to cure the default; and

(B) this Agreement will terminate effective immediately on our issuance of written notice of termination.

(iv) *Effect of Other Laws.* The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you.

(c) *Termination by You*. You may terminate this Agreement as a result of a breach by us of a material provision of this Agreement provided that: (i) you provide us with written notice of the breach that identifies the grounds for the breach; and (ii) we fail to cure the breach within 30 days after our receipt of the written notice. If we fail to cure the breach, the termination will be effective 60 days after our receipt of your written notice of breach. Your termination of this Agreement under this Section will not release or modify your post-term obligations under Section 15 of this Agreement.

15. POST-TERM OBLIGATIONS

The provisions of this Section 15 apply upon termination or expiration of this Agreement.

(a) *Reversion of Rights; Discontinuation of Trademark Use*. All of your rights to the use of the Trademarks and all other rights and licenses granted herein and the right and license to conduct business under the Trademarks will revert to us without further act or deed of any party. All of your right, title and interest in, to and under this Agreement will become our property. Upon our demand, you must assign to us or our assignee your remaining interest in any lease then in effect for the Authorized Location (although we will not assume any past due obligations). You must immediately comply with the post-term non-compete obligations under Section 8(i), cease all use and display of the Trademarks and of any proprietary material (including the Operations Manual and any related written materials) and of all or any portion of promotional materials and flyers furnished or approved by us, assign all right, title and interest in the telephone numbers, website and e-mail addresses for your Retail Business and cancel or assign, at our option, any assumed name rights or equivalent registrations filed with authorities. You must pay all sums due to us, our affiliates or designees and all sums you owe to third parties that have been guaranteed by us or any of our affiliates. You must immediately return to us, at your expense, all copies of the Operations Manual and other written materials then in your possession or control or previously disseminated to your employees and continue to comply with the confidentiality provisions of Section 4(a). You must promptly at your expense remove or obliterate all vehicle signage, trade dress, displays or other materials in your possession in the Territory or elsewhere that bear any of the Trademarks. If, however, you refuse to comply with the provisions of the preceding sentence within 30 days, we have the right to enter the Authorized Location and remove all signage, displays or other materials in your possession (including vehicles) or elsewhere that bear any of the Trademarks or names or material confusingly similar to the Trademarks, and you must reimburse us for our costs incurred. Notwithstanding the foregoing, in the event of expiration or termination of this Agreement, you will remain liable for your obligations pursuant to this Agreement or any other agreement between you and us or our affiliates that expressly or by their nature survive the expiration or termination of this Agreement.

(b) *Purchase Option*. Upon the expiration or termination of this Agreement for any reason, we will have the option, but not the obligation, to purchase from you some or all of your Business Assets. "Business Assets" mean all Lease Contracts, inventory, supplies, equipment and fixtures utilized by you in the operation of your Retail Business ("Location Assets"), excluding inventory, supplies, equipment and fixtures not customarily utilized in Buddy's Retail Businesses operated by us and our affiliates and any factor or increment for any goodwill or "going concern." We may exercise our purchase option pursuant to this Section 15(b) by giving written notice to you at any time following expiration or termination up until 30 days after the later of: the effective date of expiration or termination; the date you cease operating your Retail Business; or our receipt of the schedules described in the following sentence. You and we shall arrange for a review to be made, at your expense, by an auditor appointed by us and an independent, licensed, certified public accountant appointed by you, of all Location Assets, and such auditor and such accountant shall jointly prepare a reasonably detailed schedule of all of such Location Assets upon the completion of such review. In connection with such purchase, we shall assume no liabilities of yours whatsoever, except for the lease obligation described in Section 15(b)(v) and any other obligations expressly agreed to in writing by us.

(i) If we exercise our option to purchase any Business Assets, the purchase price for those Business Assets, except for applicable Lease Contracts and the items leased under such Lease Contracts, shall be their fair market value. If we and you are unable to agree upon the fair market value of any Business Asset(s) other than Lease Contracts and the items leased under such Lease Contracts within 10 days after we notify you that we desire to exercise our option to purchase the Business Assets, such value shall be determined by two independent appraisers, one of whom shall be chosen by us and the other of whom shall be chosen by you. If such independent appraisers cannot agree upon such fair market value, they shall jointly choose a third appraiser, whose decision shall be final and binding. Each party shall bear the cost for its chosen appraiser, and the cost for a third appraiser, if any, shall be shared equally between you and us. The purchase price for the Business Assets shall be paid by us in cash at the closing of the purchase and sale of the Business Assets, which purchase price shall be reduced by any amounts then owed by you to us and/or any of our affiliates under this Agreement or otherwise. The closing of the purchase of the Business Assets shall take place not later than 90 days after all appraisals have been finalized; provided, however, we shall have the unilateral right to accelerate the date of closing for such transaction.

(ii) If we exercise our option to purchase any Business Assets, the purchase price for each applicable Lease Contract and the items leased under each such Lease Contract, except for the Lease Contracts and the items leased under such Lease Contracts described in Section 15(b)(iii),shall be the lesser of:

(A) five times the average monthly rental revenue derived from the Lease Contract for the trailing three months, excluding revenue generated from the exercise of early purchase options, paid out agreements, or retail sales, sales taxes collected, and ancillary fees (including, but not limited to, processing charges and late charges); or

(B) 50% of the total remaining balance of the Lease Contract; provided, that for any monthly Lease Contract with a term in excess of 12 months, no more than 24 payments shall be considered in computing such amount and for any weekly Lease Contract with a term in excess of 52 weeks, no more than 103 payments shall be considered in computing such amount.

(iii) Notwithstanding anything contained in this Agreement to the contrary, you shall transfer to us, but we shall not be obligated to pay for, (i) any Lease Contract with respect to which any sum due under such Lease Contract is 15 days or more past due (each, a "**Doubtful Lease Contract**") and (ii) any items leased under any Doubtful Lease Contract. We will give no consideration to any credits or payment extensions posted to an account under any Doubtful Lease Contract or any partial payment to an account under any Doubtful Lease Contract within 30 days preceding the closing of the purchase and sale of the Business Assets.

(iv) Any advance lease payments received by us under any of the Lease Contracts included in the Business Assets shall be our property to the extent such advance payments relate to periods after the closing of the purchase and sale of the Business Assets. The purchase price to be paid by us for the Business Assets shall be reduced by the total amount of all such advance lease payments to the extent such advance payments relate to periods after such closing.

(v) If we exercise our option to purchase the Business Assets, you shall also assign to us or our designee your interest in any lease or sublease for the premises of your Retail Business, and we agree to assume your obligations thereunder, subject to any consents that may be required from your landlord under such lease or sublease. Such assignment and assumption shall be self-operative and shall be deemed to have been made simultaneously with the closing of the purchase of the Business Assets. No further assignment or agreement, written or otherwise, need be executed by you or us to effect such assignment. You hereby authorize the landlord or sub-landlord under such lease or sublease to accept and recognize us as a substitute tenant or sub-tenant in the event of any such assignment, without requiring any further action on the part of you or us. You shall indemnify us and hold us harmless from, against and in respect of any claim, liability, damage, loss, cost or expense, including reasonable attorney's fees and court costs, suffered or incurred by us which arises out of or relates to the assignment to us of your lease or your failure to have performed any of your obligations under such lease prior to our assumption of such obligations. Any amount required to be paid to us pursuant to such indemnification obligation shall be paid by you within 15 days after our demand therefor. Notwithstanding the foregoing, we or our designee may reassign such lease or sublease to you, and you shall upon such reassignment assume all of the duties and obligations thereunder, upon 60 days' written notice to you, provided that neither we nor our designee shall be permitted to notify you of any such reassignment before the date which is 120 days after the date of the closing of the purchase and sale of the Business Assets.

(vi) If we exercise our option to purchase the Business Assets, you shall execute such documents and do such other acts or things as may be necessary in our opinion to consummate the purchase and sale of the Business Assets, including but not limited to, a general release in a form prescribed by us, of any and all claims against us, our affiliates and the officers, directors, shareholders, agents and employees of ours and our affiliates' in their corporate and individual capacities, including without limitation claims arising under federal, state and local laws, rules and regulations, the assignment by you of your interest in any lease or sublease, and the assumption by you of the obligations under such lease or sublease in the event of any reassignment by us to you. We shall also be entitled to all customary warranties and representations relating to the Business Assets purchased including, but not limited to, representations and warranties as to the accuracy of the information provided related to the Business Assets and your good title to the Business Assets (including, but not limited to, your ownership of the Business Assets free and clear of any liens and encumbrances). If we exercise our option to purchase the Business Assets, you shall refrain from interfering, directly or indirectly, with the conduct of business by us or our designee with respect to the Lease Contracts included in the Business Assets or with respect to any customers under such Lease Contracts.

(c) *Claims*. You and your Principal Owners and guarantors may not assert any claim or cause of action against us or our affiliates relating to this Agreement or your Retail Business after the shorter period of the applicable statute of limitations or one year following the effective date of termination of this Agreement; provided that where the one-year limitation of time is prohibited or invalid by or under any applicable law, then and in that event no suit or action may be commenced or maintained unless commenced within the applicable statute of limitations.

16. DISPUTE RESOLUTION

(a) *Internal Dispute Resolution*. You must first bring any claim or dispute between you and us to our CEO and provide us with 30 days' written notice and opportunity to cure. You must exhaust this internal dispute resolution procedure before you may bring your dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

(b) *Mediation*. Solely at our option, we have the right to mandate that all claims or disputes between you and us or our affiliates arising out of or in any way relating to this Agreement or any other agreement between you and us or our affiliates, or any of the parties' respective rights and obligations arising from such agreements, that are not first resolved through the internal dispute resolution procedure set forth in Section 16(a) above, be submitted to mediation before arbitration pursuant to Section 16(c) is triggered, such mediation to be held in the city where our headquarters is located at the time of the dispute under the auspices of the American Arbitration Association ("**AAA**"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against us or our affiliates with respect to any such claim or dispute, you must submit a notice to us, which specifies, in detail, the precise nature and grounds of such claim or dispute. We will have a period of 30 days following receipt of such notice within which to notify you whether we or our affiliates elect to exercise our option to submit claims or disputes to mediation. You may not submit any such claim or dispute to arbitration pursuant to Section 16(c) or commence any action against us or our affiliates with respect to any such claim or dispute in any court unless we fail to exercise our option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of our written declaration. Our right to mediate, as set forth herein, may be specifically enforced by us. Each party will bear its own cost of mediation, and the parties will share mediation costs (including the mediator fees) and AAA fees equally. The parties agree that there will be no class action mediation. Notwithstanding the foregoing, the obligation to undertake mediation according to this Section 16(b) shall not apply to any dispute that an applicable federal statute expressly states cannot be subject to a pre-dispute mediation

(c) *Arbitration*. Except as qualified in Section 16(d), any dispute between you and us or any of our or your affiliates arising under, out of, in connection with or in relation to this Agreement or any other agreement between you and us or our affiliates, any System Standards, specifications, procedures or policies applicable to the System, any lease or sublease for your Retail Business, the parties' relationship, your Retail Business or the scope or validity of this Agreement or any other agreement between you and us or our affiliates (including the validity and scope of the arbitration obligation under this Section 16(c), which you and we acknowledge is to be determined by an arbitrator or panel of arbitrators and not by a court, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings must be conducted in accordance with the then-current commercial rules and procedures of the American Arbitration Association. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.) and not by any state arbitration law.

(i) In connection with any arbitration proceeding, each party will submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be barred.

(ii) Any arbitration must be on an individual basis and the parties and the arbitrator(s) will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim that is not a compulsory counterclaim (as defined by the current Rule 13 of the Federal Rules of Civil Procedure) with any claim or any other proceeding involving third parties. If a court or the arbitrator(s) determine(s) that this limitation on joinder of or class action certification of claims is unenforceable, then the agreement to arbitrate the dispute will be null and void and the parties must submit all claims to the jurisdiction of the courts.

(iii) The arbitration must take place in the city where our headquarters is located at the time of the dispute. The arbitrator(s) has/have no authority or discretion to alter the terms of this provision.

(iv) The arbitrator(s) must follow the law and not disregard the terms of this Agreement. The arbitrator(s) must have at least five years of experience in franchise law. The arbitrator(s) may not consider any settlement discussions or offers that might have been made by either you or us. Except for discovery, which must be conducted pursuant to the AAA rules in effect at the time the dispute is submitted to arbitration, the arbitrator(s) will also have the right to make a determination as to any procedural matters as would a court of competent jurisdiction be permitted to make in the state in which our main office is located. The arbitrator(s) will also decide any factual, procedural, or legal questions relating in any way to the dispute between the parties, including, but not limited to any decision as to whether forum and venue provisions are applicable and enforceable against the parties, subject matter, timeliness, scope, remedies, unconscionability, and any alleged fraud in the inducement.

(v) The arbitrator(s) can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction. The arbitrator(s) has/have the right to award or include in his or her award any relief which he or she deems proper including, but not limited to, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator(s) may not declare any Trademark generic or otherwise invalid or, except as expressly provided in Section 17(l) below, award any punitive or exemplary damages against either party (we and you hereby waiving to the fullest extent permitted by law, except as expressly provided in Section 17(l) below, any right to or claim for any punitive or exemplary damages against the other).

(vi) With the exception of discovery issues, which shall be governed by the AAA rules governing discovery in effect at the time any dispute is filed, all other procedural matters will be determined by applying the statutory, common laws, and rules of procedure that control a court of competent jurisdiction in which our main office is then located. Other than as may be required by law, the entire arbitration proceedings (including, but not limited to, any rulings, decisions or orders of the arbitrator(s)) will remain confidential and will not be disclosed to anyone other than the parties to this Agreement.

(vii) **We and you agree that arbitration will be conducted on an individual basis and not in a class, consolidated, or representative action, that only we (and our**

affiliates and our and their respective owners, officers, directors, agents, and employees, as applicable) and you (and your affiliates and your and their respective owners, officers, and directors, as applicable) may be the parties to any arbitration proceeding described in this Section, and that no such arbitration proceeding may be consolidated or joined with another arbitration proceeding involving us and/or any other person. Despite the foregoing or anything to the contrary in this Section 16(c) or Section 17(a), if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 16(c), then we and you agree that this arbitration clause will not apply to that dispute, and such dispute will be resolved in a judicial proceeding in accordance with Section 17.

(viii) The judgment of the arbitrator(s) on any preliminary or final arbitration award will be final and binding and may be entered in any court having jurisdiction.

(d) *Exceptions to Arbitration*. Notwithstanding Section 16(c), the parties agree that the following claims will not be subject to arbitration:

(i) any action in ejectment or for possession of any interest in real or personal property; or

(ii) any action which by applicable law cannot be arbitrated.

(e) *Costs and Attorneys' Fees*. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement will be entitled to recover its reasonable costs and expenses (including attorneys' fees, arbitrator's fees and expert witness fees, costs of investigation and proof of facts, court costs, and other arbitration or litigation expenses) incurred in connection with the claims on which it prevailed. For the purposes of this Agreement in general and this Section specifically, the "Prevailing Party" will be deemed to be that party which has obtained the greatest net judgment or award in terms of money or money equivalent. If money or money equivalent has not been awarded, then the Prevailing Party will be that party, as determined by the arbitrator(s), which has prevailed on a majority of the material issues decided. The "net judgment" is determined by subtracting the smallest award of money or money equivalent from the largest award. If there is a mixed decision involving an award of money or money equivalent and equitable relief, the arbitrator(s) will award the above fees to the party that it deems has prevailed over the other party using reasonable business and arbitrator(s)'s judgment.

(f) *Injunctive Relief*. Despite your and our agreement to arbitrate, you acknowledge and agree that we have the right to seek temporary restraining orders and temporary or preliminary injunctive relief and/or other emergency relief available, without bond, from a court of competent jurisdiction and without any requirement that we must contemporaneously submit our dispute for arbitration on the merits as provided in this Section 16.

(g) *Third-Party Beneficiaries*. Our owners, directors, agents and/or employees are express third-party beneficiaries of the provisions of this Agreement, including the mediation and arbitration provisions set forth in this Section 16, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by you.

(h) *Survival*. The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

17. GENERAL PROVISIONS

(a) *Severability*. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court or tribunal of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding must, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

(b) *Waiver/Integration*. No waiver by either party of any breach by the other party, nor any delay or failure by either party to enforce any provision of this Agreement, will be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce the non-breaching party's rights with respect to that or any other or subsequent breach. Subject to our rights to modify the System, System Standards, Operations Manual, Trademarks and Approved Products and Services, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement, together with any addenda and exhibits hereto, constitutes the sole agreement between you and us with respect to the entire subject matter of this Agreement and embodies all prior agreements and negotiations with respect to your Retail Business authorized hereunder. Nothing in this Agreement, however, is intended to disclaim the representations contained in the Franchise Disclosure Document we provided to you.

(c) *Notices.* All notices will be addressed to the parties at the addresses set forth below their signatures on the signature page hereto or to such other address as any party may notify the other parties of in a writing delivered in accordance with this Section. Any notice required or permitted to be given under this Agreement will be deemed given: (i) when delivered personally to the party to receive such notice, if a natural person, or to an officer of any party which is a corporation or limited liability company or to any member or partner as the case may be of any party which is a partnership; (ii) 5 days after mailing by express courier service, fully prepaid, addressed as herein provided, or upon actual receipt of such mailing, whichever will first occur; or (iii) upon receipt of confirmation from the addressee acknowledging receipt of such notice if by e-mail, facsimile or other electronic transmission service (provided that in the case of notice delivered in accordance with this clause (iii), a copy of the notice is also simultaneously sent in accordance with clause (ii) above).

(d) *Authority.* Any modification, consent, approval, authorization or waiver granted hereunder required to be effective by writing will only be valid if in writing executed by you or, if on behalf of us, in writing executed by our President or other duly authorized officers.

(e) *References*. If you are two or more persons, the persons are jointly and severally liable, and references to you in this Agreement includes all of the persons. Headings and captions contained herein are for convenience of reference and may not be taken into account in construing or interpreting this Agreement.

(f) *Guarantee*. All Principal Owners and any other person or business entity that owns, directly or indirectly, a 10% or greater interest in you must execute an agreement in the form that we designate undertaking personally to be bound, jointly and severally, by all provisions of this Agreement (a "**Personal Guarantee**"), the current form of which is attached as Exhibit D to this Agreement. We may also require spouses of such guarantors to execute a Personal Guarantee. Any person or entity that at any time after the Effective Date becomes a Principal Owner or direct or indirect 10% owner also must execute our then-current form of Personal Guarantee.

(g) *Successors/Assigns*. Subject to the terms of Section 13 hereof, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

(h) *Interpretation of Rights and Obligations*. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

(i) *Applicable Law and Waiver*. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1964 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other applicable federal law, all controversies, disputes, or claims arising from or relating to: (A) this Agreement or any other agreement between you (or your Principal Owners) and us (or our affiliates) relating to the Retail Business; (B) our relationship with you; (C) the validity of this Agreement or any other agreement between you (or your Principal Owners) and us (or our affiliates) relating to the Retail Business; or (D) System Standards will be governed by the laws of the State of Florida, without regard to its conflict of laws rules. However, the provisions of any Florida legislation regulating the offer or sale of franchises, business opportunities, or similar interests, or governing the relationship between a franchisor and a franchisee or any similar relationship, will not apply to the matters in clauses (A) through (D) above under any circumstances unless their jurisdictional requirements and definitional elements are met independently without reference to this Section 17(h)(i), and no exemption to their application exists.

(ii) *Our Rights*. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

(iii) *Our Reasonable Business Judgment*. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

(i) *Venue*. Any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties that is not subject to arbitration under Section 16, must be brought in the state or federal district court located in the county or district where our headquarters are located. Both parties hereto irrevocably submit themselves to, and consent to, the jurisdiction of said courts. The provisions of this Section 17(i) will survive the termination of this Agreement. You are aware of the business purposes and needs underlying the language of this Section 17(i), and with a complete understanding thereof, agree to be bound in the manner set forth.

(j) ***JURY WAIVER.* ALL PARTIES HEREBY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN CONNECTION WITH THE ENFORCEMENT OR INTERPRETATION BY JUDICIAL PROCESS OF ANY PROVISION OF THIS AGREEMENT, AND IN CONNECTION WITH ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION OR SIMILAR CAUSES OF ACTION OR ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES FOR BREACH OF THIS AGREEMENT.**

(k) *LIMITATION OF CLAI*MS.

EXCEPT FOR:

(1) CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US FOR ROYALTY FEES, MARKETING FEES, TECHNOLOGY FEES AND ANY OTHER AMOUNTS THAT MAY ACCRUE IN CONNECTION WITH OPERATING YOUR RETAIL BUSINESS UNDER THIS AGREEMENT;

(2) OUR (AND CERTAIN OF OUR RELATED PARTIES') RIGHT TO SEEK INDEMNIFICATION FROM YOU FOR THIRD-PARTY CLAIMS AS PROVIDED IN THIS AGREEMENT; AND

(3) OUR RIGHTS IF YOU FAIL TO COMPLY WITH YOUR OBLIGATIONS UNDER A DEVELOPMENT AGREEMENT (IF APPLICABLE),

ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN US AND YOU WILL BE BARRED, UNLESS AN ARBITRATION OR JUDICIAL PROCEEDING, AS PERMITTED, IS COMMENCED IN THE APPROPRIATE FORUM WITHIN TWO (2) YEARS FROM THE DATE ON WHICH THE VIOLATION, ACT, OR CONDUCT GIVING RISE TO THE CLAIM OCCURS, REGARDLESS OF WHEN THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIM. HOWEVER, IF THE TIME PERIOD FOR BRINGING AN ACTION UNDER ANY APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS IS SHORTER THAN THESE TWO (2) YEARS, WE AND YOU EXPRESSLY ACKNOWLEDGE AND AGREE THAT THE SHORTER STATUTE OF LIMITATIONS WILL APPLY.

(l) ***WAIVER OF PUNITIVE DAMAGES.* YOU AND WE (AND OUR RESPECTIVE AFFILIATES, OWNERS AND GUARANTORS, AS APPLICABLE) AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN US, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT.**

(m) *Relationship of the Parties*. This Agreement does not create a fiduciary relationship between you and us (or any affiliate of ours). You have no authority, express or implied, to act as an agent for us or our affiliates for any purpose. You are, and will remain, an independent contractor responsible for all obligations and liabilities of, and for all losses or damages to, your Retail Business and its assets, including any personal property, equipment, fixtures, or real property, and for all claims or demands based on damage to or destruction of property or based on injury, illness, or death of any person, directly or indirectly, resulting from your Retail Business's operation. Further, we and you are not, and do not intend to be, partners, joint venturers, associates, or employees of the other in any way, and we (and our affiliates) will not be construed to be jointly liable for any of your acts or omissions under any circumstances. We (and our affiliates) are not the employer or joint employer of your Retail Business's employees. Your General Manager, other managers, and assistant managers are solely responsible for managing and operating your Retail Business and supervising your Retail Business's employees. You agree to identify yourself conspicuously in all dealings with customers, suppliers, public officials, your Retail Business's personnel, and others as your Retail Business's owner, operator, and manager under a franchise that we have granted and, in accordance with, respectively, Sections 10(c) and 10(d), to place notices of independent ownership at the Approved Location and on the forms, business cards, stationery, advertising, e-mails, and other materials that we require from time to time.

We (and our affiliates) will not exercise direct or indirect control over the working conditions of your Retail Business's personnel, except to the extent such indirect control is related to our legitimate interest in protecting the quality of our services, products, or brand. We (and our affiliates) do not share or codetermine the employment terms and conditions of your Retail Business's employees and do not affect matters relating to the employment relationship between you and your Retail Business's employees, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. To that end, you must notify your Retail Business's personnel that you are their employer and that we, as the franchisor of Buddy's Retail Businesses, and our affiliates are not their employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. You also must obtain an acknowledgment (in the form we specify or approve) from all of your Retail Business's employees that you (and not we or our affiliates) are their employer.

(n) *Force Majeure*. If a party's default under this Agreement (other than your obligations with respect to insurance and indemnification and to pay all fees and other amounts due us and our affiliates under this Agreement or any other agreement between you and us or our affiliates), is caused in whole or in part by a force majeure, such default and any right of the other party to terminate this Agreement for such default is suspended for as long as the default is reasonably caused by such force majeure. Any suspension is effective only from the delivery of a notice of the force majeure to the other party stating the party's intention to invoke the force majeure. However, if such suspension continues for longer than six months and such default still exists, either party has the right to terminate this Agreement upon 30 days' notice to the other party. Events of force majeure are those that cannot be prevented, avoided or removed by the party invoking the force majeure despite the exercise of reasonable diligence, including acts of God, actions of the elements, lockouts, strikes, wars, riots, acts of terrorism, civil commotion, and acts of governmental authorities, (not including a governmental authority's delaying or refusing to grant building permits, licenses and other permissions and approvals), and except as specifically provided for elsewhere in this Agreement.

(o) *Adaptations and Variances*. Complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the System. Accordingly, we have the right to vary the Approved Products and Services and other standards, specifications, and requirements for any Buddy's Retail Business or System franchisee based upon the customs or circumstances of a particular franchise or operating agreement, site or location, population density, business potential, trade area population, existing business practice, competitive circumstance or any other condition that we deem to be of importance to the operation of such business or the System. We are not required to grant to you a like or other variation as a result of any variation from standard inventory items, specifications or requirements granted to any other System franchisee. You acknowledge that you are aware that other System franchisees operate under a number of different forms of agreement that were entered into at different times and that, consequently, the obligations and rights of the parties to other agreements may differ materially in certain instances from your rights and obligations under this Agreement.

(p) *Compliance with Anti-terrorism Laws*. You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests are subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided in Section 15(b)(ii)(H) above.

(q) *Provisions Applicable Only in Certain States*. The following provisions apply to all Buddy's Retail Business franchisees and franchised Buddy's Retail Businesses, except those that are subject to the state franchise disclosure laws of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

(i) Despite any assistance, information or recommendations that we provided or will provide (whether before or after the Effective Date) with respect to any site that we accept, we have made and will make no representations or warranties of any kind, express or implied, regarding the suitability of the site for a Retail Business or any other purpose.

(ii) You acknowledge that we do not guarantee the success or profitability of your Retail Business in any manner whatsoever and shall not be liable therefor; in particular, you understand and acknowledge that the success and profitability of your Retail Business depend on many factors outside the control of either us or you (such as interest rates, unemployment rates, demographic trends and the general economic climate) and there are significant risks in any business venture, but principally depend on your efforts in the operation of your Retail Business and the primary factor in your success or failure in your Retail Business will be your own efforts. IN ADDITION, YOU ACKNOWLEDGE AND AGREE THAT WE AND OUR REPRESENTATIVES HAVE MADE NO REPRESENTATIONS OR WARRANTIES TO YOU OTHER THAN OR INCONSISTENT WITH THE MATTERS SET FORTH IN THIS AGREEMENT, AND THAT YOU HAVE UNDERTAKEN THIS VENTURE SOLELY IN RELIANCE UPON THE MATTERS SET FORTH HEREIN AND YOUR OWN INDEPENDENT INVESTIGATION OF THE MERITS OF THIS VENTURE.

(iii) You acknowledge and agree that you have not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of your Retail Business.

(iv) There are no representations or warranties of any kind, express or implied, except as contained herein or in the Franchise Disclosure Document we provided to you in connection with this Agreement.

(r) *Control During Crisis Situation*. If an event occurs at your Retail Business that has or reasonably may cause harm or injury to customers or employees (*i.e.*, slip and fall injuries, natural disasters, robberies, shootings, etc.) or may damage the Trademarks, the System, or our reputation (collectively, “**Crisis Situation**”), you must: (1) immediately contact appropriate emergency care providers to assist you in curing the harm or injury; and (2) immediately inform us by telephone of the Crisis Situation. You must refrain from making any internal or external announcements (*i.e.*, no communication with the news media) regarding the Crisis Situation (unless otherwise directed by us or public health officials).

To the extent we deem appropriate, in our sole and absolute discretion, we or our designee may control the manner in which the Crisis Situation is handled by the parties, including, without limitation, conducting all communication with the news media, providing care for injured persons and/or temporarily closing your Retail Business. The parties acknowledge that, in directing the management of any Crisis Situation, we or our designee may engage the services of attorneys, experts, doctors, testing laboratories, public relations firms, and those other professionals as we deem appropriate. You and your employees must cooperate fully with us or our designee in our efforts and activities in this regard and will be bound by all further Crisis Situation procedures developed by us from time to time hereafter. The indemnification in Section 8(c) will include all losses and expenses that may result from the exercise by us or our designee of the management rights granted in this subsection (q).

(s) *Effective Date*. We will designate the “**Effective Date**” of this Agreement in the space provided on the cover page. If no Effective Date is designated on the cover page, the Effective Date is the date when we sign this Agreement.

(t) *Special Stipulation*. You acknowledge and agree that you are prohibited from entering into a Reciprocal Purchase Agreement with a Competitor or a Competitor’s franchisee. For purposes of this Agreement, a “Reciprocal Purchase Agreement” is a contingent agreement or series of contingent agreements through which we or you agree to close an RTO Retail Center and sell the Center’s Consumer Rental Contracts to a Competitor or its franchisee, and that Competitor or its franchisee agrees to close a different RTO Retail Center and sell the Center’s Consumer Rental Contracts to you or a System franchisee. For purposes of this Agreement, “Competitor” means any third party, other than a System franchisee, that, directly or through a subsidiary, owns operates, or is a franchisor of, one or more RTO Retail Centers in the United States, including Centers under the Aaron’s and Rent-A-Center brands. “RTO” means “Rent to Own.”

(u) *No Waiver or Disclaimer of Reliance in Certain States*. The following provision applies only to Buddy’s Retail Business franchisees and franchised Buddy’s Retail Businesses that are subject to the state franchise disclosure laws of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

> No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (1) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (2) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the Retail Business.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement in duplicate effective as of the Effective Date.

We:	**You:**
BHF Franchising, LLC	____
By:______________________________________	By:______________________________________
Printed Name:______________________________	Printed Name:______________________________
Title:_____________________________________	Title:_____________________________________

Address for Notices:	**Address for Notices**:
____	____
____	____
____	____
Attn:____________________________________	Attn:____________________________________
Phone:__________________________________	Phone:__________________________________
Fax:_____________________________________	Fax:_____________________________________
E-mail:_________________________________	E-mail:_________________________________

EXHIBIT A
AUTHORIZED LOCATION, TERRITORY, AND INITIAL FRANCHISE FEE

A. **The Authorized Location is:** ____
____

B. **Territory:** ____

C. **Initial Franchise Fee:** ____

We:

BHF Franchising, LLC

By:______________________________

Printed Name:______________________

Title:____________________________

You:

____

By:______________________________

Printed Name:______________________

Title:____________________________

EXHIBIT B
OWNERSHIP AND MANAGEMENT

A. Owners.

You represent and warrant that the following is a complete and accurate list of all Owners of equity interests in you, including the full name and home address of each Owner, and fully describes the nature and extent of each Owners' equity interest. You, and each Owner as to his or her ownership interest in you, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his or her interest, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

NAME	HOME ADDRESS	EQUITY INTEREST

B. General Manager

The General Manager is: ___________________________

Date: _____________________________

You:

By: ______________________________________
Its: ________________________________

Owners:

By: ______________________________________
Its: ________________________________

By: ______________________________________
Its: ________________________________

By: ______________________________________
Its: ________________________________

EXHIBIT C
ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION

Franchisee:________________________
Location:__________________________
Date:______________________________

NEW	CHANGE

Attention: Bookkeeping Department

The undersigned hereby authorizes BHF FRANCHISING, LLC or any affiliated entity (collectively, "BHF Franchising"), to initiate weekly ACH debit entries against the account of the undersigned with you in payment of amounts for Royalty Fees, Marketing Fees, Technology Fees, signage lease payments, or other amounts that become payable by the undersigned to BHF Franchising or its affiliates. The dollar amount to be debited per payment will vary.

Subject to the provisions of this letter of authorization, you are hereby directed to honor any such ACH debit entry initiated by BHF Franchising or its affiliates.

This authorization is binding and will remain in full force and effect until 90 days prior written notice has been given to you by the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit entries pursuant to this letter of authorization.

Please honor ACH debit entries initiated in accordance with the terms of this letter of authorization, subject to there being sufficient funds in the undersigned's account to cover such ACH debit entries.

Sincerely yours,

____
Account Name

*** We also need a VOIDED Check ***

____
Bank Name

____
Branch

____
Street Address

____
City State Zip Code

____
Bank Telephone Number

____
Bank's Account Number

____
Customer's Account Number

____
Street Address

____
City State Zip Code

____
Telephone Number

By_________________________________

Its_________________________________

Date_______________________________

EXHIBIT D

PERSONAL GUARANTEE AND AGREEMENT TO BE BOUND
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE FRANCHISE AGREEMENT (this "Personal Guarantee")

In consideration of the execution of the Franchise Agreement by and between BHF Franchising, LLC ("we," "us" or "our") and _______________ ("Franchisee") dated ____________ (the "Franchise Agreement") and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Franchise Agreement (including any amendments or modifications of the Agreement), to be paid, kept and performed by Franchisee, including without limitation the arbitration and other dispute resolution provisions of the Franchise Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement (including any amendments or modifications of the Agreement), including but not limited to the non-compete provisions in Sections 8(h) and 8(i) of the Franchise Agreement, and agree that this Personal Guarantee will be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation that any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Personal Guarantee, for the express purpose that none of the undersigned shall be deemed a "creditor" of Franchisee under any applicable bankruptcy law with respect to Franchisee's obligations to us; (ii) all rights to require us to proceed against Franchisee for any payment required under the Franchise Agreement, proceed against or exhaust any security from Franchisee, take any action to assist any of the undersigned in seeking reimbursement or subrogation in connection with this Personal Guarantee or pursue, enforce or exhaust any remedy, including any legal or equitable relief, against Franchisee; (iii) any benefit of, and any right to participate in, any security now or hereafter held by us; and (iv) acceptance and notice of acceptance by us of his, her or its undertakings under this Personal Guarantee, all presentments, demands and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, notices of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he, she or it may be entitled.

We shall have no present or future duty or obligation to the undersigned under this Personal Guarantee, and each of the undersigned waives any right to claim or assert any such duty or obligation, to discover or disclose to the undersigned any information, financial or otherwise, concerning Franchisee, any other guarantor, or any collateral securing any obligations of Franchisee to us. The undersigned expressly acknowledge that the obligations hereunder survive the expiration or termination of the Franchise Agreement. This Personal Guarantee will continue in full force and effect for (and as to) any extension or modification of the Franchise Agreement and despite the transfer of any interest in the Franchise Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person; and (2) such liability will not be diminished, relieved or otherwise affected by Franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to the undersigned.

If we are required to enforce this Guarantee in a judicial or arbitration proceeding, and prevail in such proceeding, the undersigned must reimburse our costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse us for any of the above-listed costs and expenses we incur, even if we do not commence a judicial or arbitration proceeding.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Personal Guarantee will inure to the benefit of our successors and assigns.

Section 16 of the Franchise Agreement (Dispute Resolution) is incorporated by reference into this Guarantee and will be applicable to any disputes between Franchisor and any of the Guarantors, as though Guarantor was the "Franchisee" referred to in the Franchise Agreement.

PERSONAL GUARANTORS:

1. ____ Individually	2. ____ Individually
____ Print Name	____ Print Name
____ Address	____ Address
____ City State Zip Code	____ City State Zip Code
____ Telephone Percentage of Ownership in Franchisee ___%	____ Telephone Percentage of Ownership in Franchisee ___%

3. ______________________________________
Individually

____
Print Name

____
Address

____
City State Zip Code

____
Telephone
Percentage of Ownership in Franchisee ___%

4. ______________________________________
Individually

____
Print Name

____
Address

____
City State Zip Code

____
Telephone
Percentage of Ownership in Franchisee ___%

EXHIBIT E

ADDENDUM TO LEASE

This Lease Addendum ("**Addendum**"), dated ______________, 20__, is entered into between __________________("**Lessor**"), and _______________________("**Lessee**").

RECITALS

A. The parties have entered into a Lease Agreement, dated _________, 20__, (the "**Lease**") for the premises located at ____________________________________ (the "**Premises**").

B. Lessee has agreed to use the Premises only for the operation of a rent-to-own (also referred to as "lease purchase") home furnishings, electronics and appliances business pursuant to a Franchise Agreement (the "**Franchise Agreement**") with BHF Franchising, LLC ("**BHF Franchising**") under the name BUDDY'S HOME FURNISHINGS or other name **BHF Franchising** designates (the "**Business**").

C. The parties desire to amend the Lease in accordance with the terms and conditions contained in this Addendum.

AGREEMENT

Lessor and Lessee agree as follows:

1. Remodeling and Decor. Lessor agrees to allow Lessee to remodel, equip, paint and decorate the interior of the Premises and to display such proprietary marks and signs on the interior and exterior of the Premises pursuant to the Franchise Agreement and any successor Franchise Agreement.

2. Assignment. Lessee has the right to assign all of its right, title and interest in the Lease to BHF Franchising or BHF Franchising's affiliates or successors at any time during the term of the Lease, including any extensions or renewals, without first obtaining Lessor's consent. No assignment will be effective, however, until BHF Franchising or its designated affiliate or successor gives Lessor written notice of its acceptance of the assignment. If BHF Franchising elects to assume the lease under this paragraph or unilaterally assumes the lease as provided for in subparagraphs 3(c) or 4(a), Lessor and Lessee agree that (i) Lessee will remain liable for the responsibilities and obligations, including amounts owed to Lessor, prior to the date of assignment and assumption, and (ii) BHF Franchising will have the right to sublease the Premises to another licensee, provided the licensee agrees to operate the Business as a BUDDY'S HOME FURNISHINGS Business pursuant to a Franchise Agreement with BHF Franchising. BHF Franchising will be responsible for the lease obligations incurred after the effective date of the assignment.

3. Default and Notice.

   (a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor agrees to give Lessee and BHF Franchising written notice of such default or violation within a reasonable time after Lessor knows of its occurrence. Lessor agrees to provide BHF Franchising the written notice of default as written and on the same day Lessor gives it to Lessee. Although BHF Franchising is under no obligation to cure the default, BHF Franchising will notify Lessor if it intends to cure the default and unilaterally assume Lessee's interest in the lease as provided in Paragraph 3(c). BHF Franchising will have an additional 15 days from the expiration of Lessee's cure period in which to cure the default or violation.

(b) All notices to BHF Franchising must be sent by registered or certified mail, postage prepaid, to the following address:

BHF Franchising, LLC
8529 Southpark Circle, Suite 410
Orlando, Florida 32819
Attention: President

BHF Franchising may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees to notify both Lessee and BHF Franchising of any change in Lessor's mailing address to which notices should be sent.

(c) Upon Lessee's default and failure to cure a default under either the Lease or the Franchise Agreement, BHF Franchising has the right (but not the obligation) to unilaterally assume Lessee's interest in the Lease in accordance with Paragraph 2.

4. <u>Termination or Expiration</u>.

(a) Upon the expiration or termination of the Franchise Agreement, BHF Franchising has the right (but not the obligation) to unilaterally assume Lessee's interest in the Lease in accordance with Paragraph 2.

(b) Upon the expiration or termination of the Lease, if BHF Franchising does not assume Lessee's interest in the Lease, Lessor agrees to cooperate and allow BHF Franchising to enter the Premises, without cost and without being guilty of trespass and without incurring any liability to Lessor, to remove all signs, awnings, and all other items identifying the Premises as a BUDDY'S HOME FURNISHINGS Business and to make such other modifications as are reasonably necessary to protect the marks and system, and to distinguish the Premises from BUDDY'S HOME FURNISHINGS Facilities. In the event BHF Franchising exercises its option to purchase assets of Lessee, Lessor agrees to permit BHF Franchising to remove all such assets being purchased by BHF Franchising.

5. <u>Consideration; No Liability</u>.

(a) Lessor acknowledges that the provisions of this Addendum are required pursuant to the Franchise Agreement and that Lessee may not lease the Premises without this Addendum.

(b) Lessor acknowledges that Lessee is not an agent or employee of BHF Franchising and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind BHF Franchising or any affiliate of BHF Franchising and that Lessor has entered into this Addendum with full understanding that it creates no duties, obligations or liabilities of or against BHF Franchising or any affiliate of BHF Franchising.

(c) Nothing contained in this Addendum makes BHF Franchising or its affiliates a party or guarantor to the Lease, and does not create any liability or obligation of BHF Franchising or its affiliates.

6. Modification. No amendment or variation of the terms of this Addendum is valid unless made in writing and signed by the parties and the parties have obtained BHF Franchising's written consent.

7. Reaffirmation of Lease. Except as amended or modified in this Addendum, all of the terms, conditions and covenants of the Lease remain in full force and effect.

8. Miscellaneous.

(a) BHF Franchising is a third party beneficiary of this Addendum.

(b) References to the Lease and to the Franchise Agreement include all amendments, addenda, extensions and renewals to the documents.

(c) References to Lessor, Lessee and BHF Franchising include the successors and assigns of each of the parties.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date written above.

LESSEE:	LESSOR:
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Title: _________________________

EXHIBIT F
SIGNAGE LEASE AGREEMENT

(see attached)

EXHIBIT G

ASSIGNMENT OF TELEPHONE NUMBERS

Date: _______________

This assignment is effective as of the date of termination of the Franchise Agreement entered into between BHF Franchising, LLC ("we," "us" or "our") and _______________ ("you" or "your"). You hereby irrevocably assign to us or our designee the telephone number or numbers and listings issued to you with respect to each and all of your BUDDY'S HOME FURNISHINGS businesses ("telephone numbers"). This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment, unless we desire to take possession and control over the telephone numbers.

We hereby are authorized and empowered upon termination of the Franchise Agreement and without any further notice to you to notify the telephone company, as well as any other company that publishes telephone directories ("telephone companies"), to transfer the telephone numbers to us or such other person or entity as we designate. You hereby grant to us an irrevocable power of attorney and appoint us as your attorney-in-fact to take any necessary actions to assign the telephone numbers, including but not limited to, executing any forms that the telephone companies may require to effectuate the assignment. This assignment is also for the benefit of the telephone companies, and the telephone companies may accept this assignment and our instructions as conclusive evidence of our rights in the telephone numbers and our authority to direct the amendment, termination or transfer of the telephone numbers, as if they had originally been issued to us. In addition, you agree to hold the telephone companies harmless from any and all claims against them arising out of any actions or instructions by us regarding the telephone numbers.

Us:

BHF FRANCHISING, LLC

By:_________________________________

Its:_________________________________

You:

____

(Print Name)

____

(Your Signature)

____

By:_____________________________________

(Your Signature)

Its:_____________________________________

(Your Position)

Notary for Your Signature

Subscribed and sworn to before me
this ____ day of ______________, ____.

____

Notary Public

EXHIBIT H
ASSIGNMENT OF DOMAIN NAME AND E-MAIL ADDRESS

Date: _______________

This assignment is effective as of the date of termination of the Franchise Agreement entered into between BHF Franchising, LLC ("we," "us" or "our") and ____________________ ("you" or "your"). You hereby irrevocably assign to us or our designee the domain names and e-mail addresses issued to you with respect to each and all of your BUDDY'S HOME FURNISHINGS businesses. You agree to pay all amounts, whether due and payable or not, that any domain name registry ("Registry") or internet service provider ("ISP") may require in connection with such transfer. This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment, unless we desire to take possession and control over the domain names and e-mail addresses.

We are hereby authorized and empowered upon termination of the Franchise Agreement and without any further notice to you to notify the Registry and the ISP to transfer the domain names and e-mail addresses to us or such other person or firm as is designated by us. In furtherance thereof, you hereby grant an irrevocable power of attorney to us and appoints us as your attorney-in-fact to take any necessary actions to assign the domain names and e-mail addresses, including but not limited to, executing any forms that the Registry and the ISP may require to effectuate the assignment. This assignment is also for the benefit of the Registry and the ISP, and the Registry and the ISP may accept this assignment and our instructions as conclusive evidence of our rights in the domain names and e-mail addresses and our authority to direct the amendment, termination or transfer of the domain names and e-mail addresses, as if they had originally been issued to us. In addition, you agree to hold the Registry and the ISP harmless from any and all claims against them arising out of any actions or instructions by us regarding the domain names and e-mail addresses.

Us:

BHF FRANCHISING, LLC

By:_________________________________
Its:_______________________________

You:

____
(Print Name)

____
(Your Signature)

____

By:_______________________________________
(Your Signature)
Its:______________________________________
(Your Position)

Notary for Your Signature

Subscribed and sworn to before me
this ____ day of ______________, ____.

____
Notary Public

EXHIBIT I

STATE ADDENDA

BHF Franchising, LLC
Addendum To Franchise Agreement
(California)

The following Addendum modifies and supersedes the BHF Franchising, LC Franchise Agreement (the “Agreement”) with respect to Buddy’s Home Furnishings franchises offered or sold to either a resident of the State of California or a non-resident who will be operating a Buddy’s Home Furnishings franchise in the State of California pursuant to the California Franchise Investment Law, as follows:

1. The following language is added to the end of Section 8(i) of the Agreement:

   The franchise agreement contains a covenant not to compete which extends beyond termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

2. The following language is added to the end of Section 17(h)(i) of the Agreement:

   For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on ________________________, 20____.

We:	You:
BHF Franchising, LLC	____
By:_____________________________________	By:_____________________________________
Printed Name:____________________________	Printed Name:____________________________
Title:___________________________________	Title:___________________________________

BHF Franchising, LLC
Addendum To Franchise Agreement
(Illinois)

The following Addendum modifies and supersedes the BHF Franchising, LLC Franchise Agreement (the "Agreement") with respect to Buddy's Home Furnishings franchises offered or sold to either a resident of the State of Illinois or a non-resident who will be operating a Buddy's Home Furnishings franchise in the State of Illinois pursuant to the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1-44 (West 2014), as follows:

1. Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

2. Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Franchise Agreement.

3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on ________________________, 20____.

We:	**You:**
BHF Franchising, LLC	____
By:______________________________________	By:______________________________________
Printed Name:_____________________________	Printed Name:_____________________________
Title:____________________________________	Title:____________________________________

BHF Franchising, LLC
Addendum To Franchise Agreement
(Indiana)

The following Addendum modifies and supersedes BHF Franchising, LLC Franchise Agreement (the "Agreement") with respect to Buddy's Home Furnishings franchises offered or sold to either a resident of the State of Indiana or a non-resident who will be operating a Buddy's Home Furnishings franchise in the State of Indiana pursuant to the Indiana Deceptive Franchise Practices Law, Indiana Code §§ 23-2-2.7-1 through 23-2-2.7-10, and the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2-2.5-1 through 23-2-2-2.5-51, as follows:

1. The Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under Indiana law.

2. Under Section 8(c) of the Agreement, you will not be required to indemnify us for any liability imposed on us as a result of your reliance on or use of procedures and materials which we required, if such procedures were utilized by you in the manner required by us.

3. Sections 3 and 13 of the Agreement each contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Each provision is inapplicable under the Indiana Deceptive Franchise Practices Law, IC § 23-2-2.7-1(5).

4. Section 17(h)(i) of the Agreement is amended to provide that in the event of a conflict of law, the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law will prevail.

5. Nothing in the Agreement will abrogate or reduce any rights you have under Indiana law.

6. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

7. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act are met independently without reference to this Addendum.

8. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on ________________________, 20____.

We:	**You:**
BHF Franchising, LLC	____
By:______________________________________	By:______________________________________
Printed Name:_____________________________	Printed Name:_____________________________
Title:____________________________________	Title:____________________________________

BHF Franchising, LLC
Addendum To Franchise Agreement
(Maryland)

The following Addendum modifies and supersedes BHF Franchising, LLC Franchise Agreement (the "Agreement") with respect to Buddy's Home Furnishings franchises offered or sold to either a resident of the State of Maryland or a non-resident who will be operating a Buddy's Home Furnishings franchise in the State of Maryland pursuant to the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§ 14-201 through 14-233, as follows:

1. The general release language required as a condition of renewal, sale and/or assignment or transfer shall apply except for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

3. Your acknowledgments or representations made in this Agreement, which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law, are not intended to nor shall they act as release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. This Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

5. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Addendum.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Attachments thereto, the terms of this Addendum shall govern.

[Signatures Appear on Following Page]

Each of the undersigned has executed this Addendum on ________________________, 20____.

We:	**You:**
BHF Franchising, LLC	____
By:_____________________________________	By:_____________________________________
Printed Name:____________________________	Printed Name:____________________________
Title:____________________________________	Title:____________________________________

BHF Franchising, LLC
Addendum to Franchise Agreement
(Minnesota)

The following Addendum modifies and supersedes BHF Franchising, LLC Franchise Agreement (the "**Agreement**") with respect to Buddy's Home Furnishings franchises offered or sold to either a resident of the State of Minnesota or a non-resident who will be operating a Buddy's Home Furnishings franchise in the State of Minnesota pursuant to the Minnesota Franchise Law, Minn. Stat. §§ 80C.01 through 80C.22, as follows:

1. Sections 13 and 14 of the Agreement are amended to add the following:

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4, and 5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

2. Section 17 of the Agreement is amended to add the following:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. Section 16 of the Agreement is amended to add the following:

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. A court will determine if a bond is required.

4. Sections 3 and 13(f)(x) of the Agreement are amended to add the following:

Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

5. Section 10 of the Agreement is amended to add the following:

The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

6. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

7. Each provision of this Agreement will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this Addendum.

8. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned has executed this Addendum on ________________________, 20____.

We:	**You:**
BHF Franchising, LLC	____
By:_____________________________________	By:_____________________________________
Printed Name:_____________________________	Printed Name:_____________________________
Title:___________________________________	Title:___________________________________

BHF Franchising, LLC
Addendum To Franchise Agreement
(New York)

The following Addendum modifies and supersedes the BHF Franchising, LLC Franchise Agreement (the “Agreement”) with respect to Buddy’s Home Furnishings franchises offered or sold to either a resident of the State of New York or a non-resident who will be operating a Buddy’s Home Furnishings franchise in the State of New York pursuant to the General Business Law of the State of New York, Article 33, Sections 680 through 695, as follows:

1. Notwithstanding any provision of the Agreement to the contrary, we will not make any assignment of the Agreement except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Agreement.

2. Notwithstanding any provision of the Agreement to the contrary, all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

3. Section 8(c) of the Agreement is amended by adding the following to the end of such section:

> The indemnification contained in this Section 8(c) shall not apply to any claim by any third party arising out of a breach of this Agreement by us or any other civil wrong of yours.

4. No new or different requirements imposed on you as a result of any changes made by us to our Operations Manual or otherwise shall place an unreasonable economic burden on you.

5. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on ________________________, 20____.

We:	**You:**
BHF Franchising, LLC	____
By:______________________________________	By:______________________________________
Printed Name:_____________________________	Printed Name:_____________________________
Title:____________________________________	Title:____________________________________

BHF Franchising, LLC
Addendum To Franchise Agreement
(North Dakota)

The following Addendum modifies and supersedes the BHF Franchising, LLC Franchise Agreement (the "Agreement") with respect to Buddy's Home Furnishings franchises offered or sold to either a resident of the State of North Dakota or a non-resident who will be operating a Buddy's Home Furnishings franchise in the State of North Dakota pursuant to the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, as follows:

1. **Releases**. The following is added to the end of Sections 3(b)(ix) and 13(g)(x) of the Agreement:

> Any general release shall not apply to the extent prohibited by law with respect to claims arising under the North Dakota Franchise Investment Law.

2. **Covenant Not to Compete**. The following is added to the end of Section 8(j) of the Agreement:

> Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

3. **Consent to Termination or Liquidated Damages**. The following is added to the end of Section 8(k) of the Agreement:

> The Commissioner has determined termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. However, we and you agree to enforce these provisions to the extent the law allows.

4. **Arbitration**. Section 16(c)(iii) of the Agreement is amended as follows:

> The site of arbitration will be agreeable to all parties and may not be remote from your place of business.

3. **Consent To Jurisdiction**. The following language is added to the end of Section 17(i) of the Agreement:

> However, that to the extent required by applicable law, you may bring an action in North Dakota.

4. **Governing Law**. The following language is added to the end of Section 17(h)(i) of the Agreement:

> Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to this Agreement.

5. **Waiver of Punitive Damages**. Section 17(l) of the Agreement is hereby deleted.

6. **Waiver of Jury Trial**. Section 17(j) of the Agreement is hereby deleted.

7. **Limitation of Claims**. The following is added to the end of Section 17(k):

NOTWITHSTANDING THE FOREGOING, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW, THE APPLICABLE STATUTE OF LIMITATIONS UNDER NORTH DAKOTA LAW WILL APPLY.

8. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _______________________, 20____.

We:

BHF Franchising, LLC

By:____________________________________

Printed Name:____________________________

Title:___________________________________

You:

____

By:____________________________________

Printed Name:____________________________

Title:___________________________________

BHF Franchising, LLC
Addendum To Franchise Agreement
(Rhode Island)

The following Addendum modifies and supersedes the BHF Franchising, LLC Franchise Agreement (the "Agreement") with respect to Buddy's Home Furnishings franchises offered or sold to either a resident of the State of Rhode Island or a non-resident who will be operating a Buddy's Home Furnishings franchise in the State of Rhode Island pursuant to the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, as follows:

1. Sections 3 and 14 of the Agreement each contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Rhode Island Franchise Investment Act.

2. This Agreement requires that it be governed by the laws of the State of Florida. To the extent that such law conflicts with Rhode Island Franchise Investment Act, it is void under § 19-28.1-14.

3. Section 17(i) of the Agreement will be amended by the addition of the following, which will be considered an integral part of this Agreement:

> § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

4. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

5. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Rhode Island Franchise Investment Act are met independently without reference to this Addendum.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on ________________________, 20____.

We:	**You:**
BHF Franchising, LLC	____
By:______________________________________	By:______________________________________
Printed Name:_____________________________	Printed Name:_____________________________
Title:____________________________________	Title:____________________________________

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise

law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _______________________, 20____.

We:	You:
BHF Franchising, LLC	_______________________________________
By:_____________________________________	By:_____________________________________
Printed Name:____________________________	Printed Name:____________________________
Title:___________________________________	Title:___________________________________

EXHIBIT D

Development Agreement

DEVELOPMENT AGREEMENT

between

BHF FRANCHISING, LLC

and

____

Franchisee: ________________

Area: _____________________

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DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this **"Agreement"**) is made and entered into as of the date set forth on Appendix A of this Agreement (the **"Effective Date"**) (Appendix A and all appendices and schedules attached to this Agreement are hereby incorporated by this reference) between BHF Franchising, LLC, a Delaware limited liability company having its principal place of business at 8529 Southpark Circle, Suite 410, Orlando, Florida 32819 (**"Franchisor"**), and the person or entity identified on Appendix A as the franchisee (**"Franchisee"**) with its principal place of business as set forth on Appendix A. In this Agreement, **"we," "us,"** and **"our"** refers to Franchisor. **"You"** and **"your"** refers to Franchisee.

RECITALS

A. We and you have entered into a certain Franchise Agreement dated the same date as this Agreement (the **"Initial Franchise Agreement"**), in which we have granted you the right to establish and operate one BUDDY'S HOME FURNISHINGS retail business (a **"Retail Business"**).

B. We desire to grant to you the exclusive right to establish and operate a specified number of Retail Businesses within a specified geographical area in accordance with a development schedule.

C. You desire to establish and operate additional Retail Businesses upon the terms and conditions contained in our then-current standard franchise agreements (a "Franchise Agreement").

NOW, THEREFORE, for and in consideration of the foregoing premises and the mutual covenants and agreements contained herein, the parties hereby agree as follows:

1. Grant of Development Rights and Development Area.

Subject to the terms and conditions of this Agreement, we grant to you the right, and you undertake the obligation, to establish and operate in the area designated on Appendix A to this Agreement (the **"Development Area"**) the number of Retail Businesses specified in the development schedule in Appendix A (the **"Schedule"**). This Agreement does not grant you any right to use the Trademarks (as defined in your Initial Franchise Agreement) or the System (as defined in your Initial Franchise Agreement). Rights to use the Trademarks and the System are granted only by the Franchise Agreements.

2. Fees.

Upon execution of this Agreement, you must pay us a development fee, which shall be specified on Appendix A (the "**Development Fee**"), based on the initial franchise fee you must pay for each Retail Business that you agree to develop (the **"Initial Franchise Fee,"** which is specified on Appendix A). The Development Fee shall be equal to 100% of the Initial Franchise Fee due for each Retail Business that you agree to develop under this Agreement. At the time that you sign each Franchise Agreement executed pursuant hereto, no Initial Franchise Fee will be owed for the applicable Retail Business as that Initial Franchise Fee was paid in full upon execution of this Agreement. The Development Fee is fully earned by us when we and you sign this Agreement and is non-refundable, even if you do not comply with the Schedule and do not open or enter into Franchise Agreements for additional Retail Businesses.

3. Development Schedule.

3.1 Deadlines. You must enter into Franchise Agreements and open and operate Retail Businesses in accordance with the deadlines set forth in the Schedule. By each "Execution Deadline" specified in the Schedule, you must have delivered a signed copy of our then-current standard form of Franchise Agreement for the number of Retail Businesses specified on the Schedule. By each "Opening

Deadline" specified in the Schedule, you must have the specified number of Retail Businesses open and operating. You must locate the Retail Businesses only at sites that we have accepted in accordance with the terms of the applicable Franchise Agreement.

3.2 **Damaged Retail Businesses.** If a Retail Business is destroyed or damaged by any cause beyond your control such that it may no longer continue to be open for the operation of business, you must immediately give us notice of such destruction or damage ("Destruction Event"). You must diligently work to repair and restore the Retail Business to our approved plans and specifications as soon as possible at the same location or at a substitute site accepted by us within the Development Area. If a Retail Business is closed due to a Destruction Event, the Retail Business will continue to be deemed a "Retail Business in operation" for the purpose of this Agreement for up to 180 days after the Destruction Event occurs. If a Retail Business (i) is closed in a manner other than those described in this Section 3.2 or as otherwise agreed by us in writing or (ii) fails to reopen within 180 days after a Destruction Event, then we may exercise our rights under Section 6.2 (Our Remedies).

3.3 **Extension of Opening Deadline.** You may request in writing an extension of any Opening Deadline for up to 12 months, provided that you: (a) deliver your written request, setting forth the additional time requested and the reasons for the extension ("Extension Request"), before the applicable Opening Date; (b) have signed the Franchise Agreement for the applicable Retail Business; and (c) sign the withdrawal authorization form required by us. No Opening Deadline may be extended beyond 12 months. We have the right, in our sole discretion, to grant or deny any Extension Request. If we grant the Extension Request, you shall be required to pay us an extension fee for each applicable Retail Business equal to $1,500 per month for each of the first 6 months of any extension and $2,500 per month for months 7-12 of any extension (collectively, "Extension Fee"), which amounts shall be drafted from the account specified in the withdrawal authorization form until the applicable Retail Business opens. If we determine that you are not using your best efforts to meet the Opening Deadline, as extended, we can terminate our grant of the Extension Request at any time upon written notice to you, and you will not be entitled to a refund of any portion of the Extension Fee. Accordingly, your failure to meet the Opening Deadline shall constitute an Event of Default under Section 6.1(b).

4. Development Area.

4.1 **Development Area.** Except as provided in this Section 4, while this Agreement is in effect, provided that (i) you sign the minimum number of Franchise Agreements and you have open and operating in the Development Area at any given time at least as many Retail Businesses as are required pursuant to the Schedule and (ii) you and your affiliates are otherwise in full compliance with this Agreement and any other agreements between you and your affiliates and us and our affiliates, we will not operate, or license any person other than you to operate, a Retail Business under the Trademarks (as defined in your Initial Franchise Agreement) and the System (as defined in your Initial Franchise Agreement) within the Development Area. Your rights in the previous sentence related to the Development Area will not apply to Retail Businesses (and their related territories) currently operating, approved for development or under development in the Development Area on the Effective Date.

4.2 **No Other Restriction On Us.** Except as expressly provided in Section 4.1 or any other agreement between the parties, we and our affiliates retain the right, in our sole discretion, to conduct any business activities, under any name, in any geographic area, and at any location, regardless of the proximity to or effect on your Retail Businesses. For example, we and our affiliates have the right to:

> **(a)** Establish and operate, and grant others the right to establish and operate, Retail Businesses at any location outside the Development Area regardless of the proximity of such Retail Businesses to the Development Area;

(b) Establish and operate, and grant others the right to establish and operate, on any terms and conditions that we deem appropriate, retail businesses, including Competitive Retail Businesses (as defined below), or any other similar or dissimilar businesses that are not primarily identified by the Trademarks at any locations, whether within or outside the Development Area;

(c) Solicit and sell products or services to customers and prospective customers residing within the Development Area, including, without limitation, by any method of distribution (other than the operation of a Retail Business in the Development Area (except as permitted under Section 4.3)), including, but not limited to, by catalog, direct advertising over the Internet, or other electronic means;

(d) Merge with, acquire, establish or become associated with any businesses or locations of any kind under other systems and/or other marks, which businesses and locations may offer or sell items, products and services that are the same as or similar to the approved products and services offered at or from your Retail Businesses, and which may be located anywhere within or outside the Development Area. Except as provided in Section 4.3, we may not grant a Competitive Retail Business the right to use the Trademarks at a location in the Development Area; and

(e) engage in any other business activities not expressly prohibited by this Agreement, both within and outside the Development Area.

"**Competitive Retail Business**" means any rent-to-own, rental purchase, lease purchase or other business, that leases, rents, sells or distributes home furnishings, electronics or appliances through any channel, including, without limitation, business conducted by means of retail outlets, internet or direct marketing.

4.3 **Conversion Stores.** If we acquire or any of our affiliates acquires any store operating under different trademarks that sells or leases the same, similar or different products and services as those offered and sold by Retail Businesses (each a "Non-System Store") within the Development Area and we and/or our affiliates desire to convert such Non-System Store to a Retail Business operating under the Trademarks, we shall deliver to you a written notice of such intent to convert (each, a "Conversion Notice"). Provided that you are in compliance with all of the provisions of this Agreement and no default, or event which with the giving of notice or passage of time or both, would become a default, exists under this Agreement or any other agreement between you and us, you shall have the option, exercisable within 30 days after receipt of such Conversion Notice, to purchase the Non-System Store and convert it to a Retail Business operating under the Trademarks by notifying us in writing. If you elect to purchase and convert the Non-System Store, you must consummate such purchase and execute our then-current franchise agreement and pay our then-current initial franchise fee (or, at our option, execute an amendment to this Agreement and pay our then-current initial franchise fee) within 30 days from the date of your notice to us of your election to purchase and convert. Your purchase of a Non-System Store under this Section will count towards your development obligations under the Schedule.

(a) If we or our affiliate purchased the Non-System Store during the 180 days prior to our delivery of the Conversion Notice to you, the purchase price to be paid by you shall be the cash equivalent of the consideration paid by us or our affiliate for the Non-System Store (or, if we or our affiliate purchased the Non-System Store in a transaction which was for more than one Non-System Store, the cash equivalent of our or our affiliate's proportionate per-store cost, as determined by us or our affiliate in our or its sole discretion). In addition to the purchase price payable under this Section 4.3, you shall reimburse us or our affiliate for the costs and expenses incurred by us or our affiliate in connection with the acquisition of the Non-System Store (pro-rated if the Non-System Store was acquired as part of a multiple store purchase). You acknowledge that the value of the Non-System Store may diminish during the 180-day period after our or our affiliate's acquisition of the Non-System Store.

(b) If we or our affiliate did not purchase the Non-System Store during the 180 days prior to delivery of the Conversion Notice, the purchase price, which shall be paid in cash, will be the fair market value of the Non-System Store. If the parties cannot agree on fair market value within a reasonable time, such fair market value shall be determined by two independent appraisers, one of whom shall be chosen by us or our affiliate and the other of whom shall be chosen by you. If such appraisers cannot agree on such fair market value, they shall jointly choose a third independent appraiser, whose decision shall be final and binding. Each party shall bear the cost for its chosen appraiser, and the cost for a third appraiser, if any, shall be shared equally between you and us or our affiliate. If you do not elect to purchase and convert the Non-System Store, we may convert and operate, or license a third party to convert and operate, the Non-System Store as a Retail Business operating under the Trademarks, without incurring any liability to you.

5. Term.

This Agreement begins on the Effective Date and expires at midnight on the last Opening Deadline date listed on the Schedule (the "**Term**"), unless this Agreement is terminated sooner as provided in other sections of this Agreement.

6. Termination.

6.1 Events of Default. Any one or more of the following constitutes an "Event of Default" under this Agreement:

(a) You fail to execute any Franchise Agreement by any Execution Deadline specified in the Schedule;

(b) You fail to have open and operating the minimum number of Retail Businesses specified in the Schedule by any Opening Deadline specified in the Schedule;

(c) An event occurs which gives us the right under any Franchise Agreement to terminate such Franchise Agreement (regardless of whether we exercise such right); or

(d) You breach or otherwise fail to comply fully with any other provision contained in this Agreement, including Section 8 (Franchisee's Covenant Not to Compete).

6.2 Our Remedies. If any Event of Default occurs under Section 6.1, we may, at our sole election, (i) declare this Agreement and any and all other rights granted to you under this Agreement to be immediately terminated and of no further force or effect, (ii) extend any deadlines for a single Retail Business or multiple Retail Businesses for any period that we determine and charge you an extension fee that we specify for such extension, or (iii) reduce the size of the Development Area to a lesser area that we determine. Upon termination of this Agreement for any other reason whatsoever, we will retain the Development Fee and you will not be relieved of any of your obligations, debts, or liabilities hereunder, including without limitation any debts, obligations, or liabilities which have accrued prior to such termination. Your failure to open and thereafter operate Retail Businesses in accordance with the Schedule will not, in itself, constitute cause for us to terminate any previously executed Franchise Agreement.

7. **Assignment.**

This Agreement and the rights granted to you under this Agreement are personal to you and neither this Agreement, nor any of the rights granted to you hereunder nor any equity interest in you may be voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, assigned or otherwise transferred, given away, or encumbered by you without our prior written approval, which we may grant or withhold for any or no reason. If you are a corporation, limited liability company, partnership, or other entity, all owners of a legal and/or beneficial interest in you, direct or indirect (the **"Owners"**), are listed on Appendix A of this Agreement. If you or your Owners intend to transfer any interest in you or this Agreement, we shall have a right of first refusal in accordance with the procedure set forth in Section 13(h) (Right of First Refusal) of the Initial Franchise Agreement. We may assign this Agreement or any ownership interests in us without restriction.

8. **Franchisee's Covenant Not to Compete.**

8.1 In-Term Covenants. You acknowledge that you will receive valuable, specialized training and confidential information regarding the manufacturing, operational, sales, promotional, and marketing methods of the BUDDY'S HOME FURNISHINGS concept. During the Term, you will not, without our prior written consent, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any other person or entity:

(a) own, manage, operate, maintain, engage in, consult with or have any interest in any Competitive Retail Business other than one authorized by any other agreement between us and you;

(b) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Trademarks and the System; or

(c) directly or indirectly, appropriate, use or duplicate the System or any portion thereof, in any business in which you may have any interest of any kind (whether directly or indirectly) or in which you are otherwise employed, except Retail Businesses.

8.2 Post-Term Covenants. For one year after the expiration or termination of this Agreement or an approved transfer to a new franchisee (or the date on which all persons restricted by this Section 8.2 begin to comply with this Section), you may not, without our prior written consent, directly or indirectly (e.g., through a spouse or other family member) own, manage, engage in, be employed in a managerial position by, advise, make loans to, or have any other interest in any Competitive Retail Business that is (or is intended to be) located within the Development Area, a 10-mile radius of the Development Area, or a 15-mile radius of any other Retail Business that is operating or under construction at the time of such expiration, termination, or transfer.

8.3 Publicly Traded Corporations. Ownership of less than 5% of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this Section 8.

8.4 Enforcement of Covenants. You acknowledge and agree that (i) the time, territory and scope of the covenants provided in this Section 8 are reasonable and necessary for the protection of our legitimate business interests; (ii) you have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; and (iv) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this Section 8 is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this Section 8. You acknowledge that any breach or threatened breach of this Section 8 will cause us irreparable injury for which no adequate remedy at law is available, and you consent to the issuance of an injunction prohibiting any conduct violating the terms of this Section 8. Such injunctive relief will be in addition to any other remedies that we may have.

9. Incorporation of Other Terms.

Section 11 (Confidential Information, Innovations, and Copyrights), Section 16 (Dispute Resolution), and Section 17 (General Provisions) of the Initial Franchise Agreement are incorporated by reference in this Agreement and will govern all aspects of our relationship and the construction of this Agreement as if fully restated within the text of this Agreement. For the avoidance of doubt, each Owner that owns, directly or indirectly, a 10% or greater interest in you must execute an agreement in the form that we designate undertaking personally to be bound, jointly and severally, by all provisions of this Agreement (a "**Personal Guarantee**"), the current form of which is attached as Appendix B to this Agreement. We may also require spouses of such guarantors to execute a Personal Guarantee.

10. Miscellaneous.

Capitalized terms used and not otherwise defined in this Agreement shall have the meanings set forth in the Initial Franchise Agreement. This Agreement and all exhibits hereto, together with the Initial Franchise Agreement, constitute the entire agreement between the parties and supersede any and all prior negotiations, agreements, representations, and understandings, whether oral or written, between the parties relating to the subject matter hereof. Nothing in this Agreement or any related agreement, however, is intended to disclaim the representations that we made in the Franchise Disclosure Document that we provided to you.

This Agreement may be signed in multiple counterparts, but all such counterparts together shall be considered one and the same instrument. The parties may provide additional terms by including the terms on Appendix A. To the extent that any provisions of Appendix A are in direct conflict with the provisions of this Agreement, the provisions of Appendix A shall control. The provisions of this Agreement may be amended or modified only by written agreement signed by the party to be bound.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR

BHF FRANCHISING, LLC

By:__________________________________
Name:______________________________
Title:_______________________________

Date:_________________________________

FRANCHISEE

(IF ENTITY):

____
[Name]

By:__________________________________
Name:______________________________
Title:_______________________________

Date:_________________________________

(IF INDIVIDUALS):

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

Date:_________________________________

APPENDIX A
TO THE
DEVELOPMENT AGREEMENT

FRANCHISEE-SPECIFIC TERMS

1. **Effective Date (First Paragraph): ____________________**

2. **Franchisee's Name: ____**

3. **Franchisee's State of Organization** *(if applicable)*: **____**

4. **Development Area (Section 1):**

____
____
____
____

5. **Total Development Fee (Section 2):** $__________________.

6. **Initial Franchise Fee for each Retail Business developed pursuant to this Development Agreement (Section 2):** The Initial Franchise Fee for the Retail Business that you agree to develop under the Initial Franchise Agreement is $39,900. The Initial Franchise Fee for each additional Retail Business that you agree to develop under this Agreement is $25,000.

7. **Development Schedule (Section 3):** You agree to establish and operate a total of ___ Retail Businesses within the Development Area during the term of this Agreement. The Retail Businesses must be open and operating in accordance with the following Schedule:

MINIMUM NUMBER OF RETAIL BUSINESSES SIGNED The Minimum Number of Retail Businesses for Which Franchise Agreements Executed by Each Execution Deadline	**EXECUTION DEADLINE** Deadline for Executing Franchise Agreements for the Minimum Number of Retail Businesses Signed	**MINIMUM NUMBER OF RETAIL BUSINESSES OPEN AND OPERATING** The Minimum Number of Retail Businesses Open and Operating by Each Opening Deadline	**OPENING DEADLINE** Deadline for Having the Minimum Number of Retail Businesses Open and Operating
	______________, 20___		______________, 20___
	______________, 20___		______________, 20___
	______________, 20___		______________, 20___
	______________, 20___		______________, 20___
	______________, 20___		______________, 20___
	______________, 20___		______________, 20___
	______________, 20___		______________, 20___
	______________, 20___		______________, 20___ (the Expiration Date of the Agreement)

8. **Ownership of Franchisee (Section 7)**: If Franchisee is an entity, the following persons constitute all of the owners of a legal and/or beneficial interest in Franchisee:

Name	Percentage Ownership
	______%
	______%
	______%

9. **Additional or Inconsistent Terms (Section 10):**

Signature Page for Appendix A (Franchisee-Specific Terms)

FRANCHISOR

BHF FRANCHISING, LLC

By:__________________________________
Name:______________________________
Title:_______________________________

Date:_________________________________

FRANCHISEE

(IF ENTITY):

____
[Name]

By:__________________________________
Name:______________________________
Title:_______________________________

Date:_________________________________

(IF INDIVIDUALS):

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

Date:_________________________________

APPENDIX B
TO THE
DEVELOPMENT AGREEMENT

PAYMENT AND PERFORMANCE GUARANTEE

In order to induce BHF Franchising, LLC (**"Franchisor"**) to enter into a Buddy's Development Agreement (the **"Development Agreement"**) by and between Franchisor and the Franchisee named in the Development Agreement dated ____________to which this Payment and Performance Guarantee (the **"Guarantee"**) is attached (**"Franchisee"**), the undersigned (collectively referred to as the **"Guarantors"** and individually referred to as a **"Guarantor"**) hereby covenant and agree as follows:

1. Guarantee of Payment and Performance. The Guarantors jointly and severally unconditionally guarantee to Franchisor and its affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness, and liabilities of Franchisee to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Development Agreement or otherwise, together with any extension, renewal, or modification thereof in whole or in part (the **"Guaranteed Liabilities"**). The Guarantors agree that if any of the Guaranteed Liabilities are not so paid or performed by Franchisee when due, the Guarantors will immediately do so. The Guarantors further agree to pay all expenses (including reasonable attorneys' fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities. The Guarantors represent and agree that they have each reviewed a copy of the Development Agreement and have had the opportunity to consult with counsel to understand the meaning and import of the Development Agreement and this Guarantee.

2. Waivers by Guarantors. The Guarantors waive presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes, or controversies between Franchisor and Franchisee and of the settlement, compromise, or adjustment thereof. This Guarantee is primary and not secondary and will be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee will be effective regardless of the insolvency of Franchisee by operation of law, any reorganization, merger, or consolidation of Franchisee, or any change in the ownership of Franchisee.

3. Term: No Waiver. This Guarantee will be irrevocable, absolute, and unconditional and will remain in full force and effect as to each of the Guarantors until such time as all Guaranteed Liabilities of Franchisee to Franchisor and its affiliates have been paid and satisfied in full. No delay or failure on the part of Franchisor in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy will preclude other further exercise of such right or any other right or remedy.

4. Other Covenants. Each of the Guarantors agrees to comply with the provisions of Section 8 of the Development Agreement as though each such Guarantor were the "Franchisee" named in the Development Agreement and agrees that he or she will take any and all actions as may be necessary or appropriate to cause Franchisee to comply with the Development Agreement and will not take any action that would cause Franchisee to be in breach of the Development Agreement.

5. Dispute Resolution. Section 16 (Dispute Resolution and Governing Law) of the Initial Franchise Agreement (as defined in the Development Agreement) is hereby incorporated herein by reference and will be applicable to any disputes between Franchisor and any Guarantor, as though Guarantor was the "Franchisee" referred to in the Initial Franchise Agreement.

6. Miscellaneous. This Agreement will be binding upon the Guarantors and their respective heirs, executors, successors, and assigns, and will inure to the benefit of Franchisor and its successors and assigns.

IN WITNESS WHEREOF, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

______________________________	______________________________
Print Name:______________________	Print Name:______________________
Address: ________________________	Address: ________________________
______________________________	______________________________
______________________________	______________________________
Print Name:______________________	Print Name:______________________
Address: ________________________	Address: ________________________
______________________________	

APPENDIX C

STATE-REQUIRED ADDENDA

BHF Franchising, LLC
Addendum to Development Agreement
(California)

The following Addendum modifies and supersedes the BHF Franchising, LLC Development Agreement (the "**Agreement**") with respect to Buddy's Home Furnishings franchises offered or sold to either a resident of the State of California or a non-resident who will be operating a Buddy's Home Furnishings franchise in the State of California pursuant to the California Franchise Investment Law, as follows:

1. The following language is added to the end of Section 8.2 of the Agreement:

The franchise agreement contains a covenant not to compete which extends beyond termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

2. For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Development Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on ________________________, 20____.

We:	**You:**
BHF Franchising, LLC	____
By:______________________________________	By:______________________________________
Printed Name:_____________________________	Printed Name:_____________________________
Title:____________________________________	Title:____________________________________

BHF Franchising, LLC
Addendum to Development Agreement
(Illinois)

The following Addendum modifies and supersedes the BHF Franchising, LLC Development Agreement (the "**Agreement**") with respect to Buddy's Home Furnishings franchises offered or sold to either a resident of the State of Illinois or a non-resident who will be operating a Buddy's Home Furnishings franchise in the State of Illinois pursuant to the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1-44 (West 2014), as follows:

1. Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

2. Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Agreement.

3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on ________________________, 20____.

We:	**You:**
BHF Franchising, LLC	____
By:______________________________________	By:____
Printed Name:_____________________________	Printed Name:_____________________________
Title:_____________________________________	Title:_____________________________________

BHF Franchising, LLC
Addendum to Development Agreement
(Indiana)

The following Addendum modifies and supersedes BHF Franchising, LLC Development Agreement (the "**Agreement**") with respect to Buddy's Home Furnishings franchises offered or sold to either a resident of the State of Indiana or a non-resident who will be operating a Buddy's Home Furnishings franchise in the State of Indiana pursuant to the Indiana Deceptive Franchise Practices Law, Indiana Code §§ 23-2-2.7-1 through 23-2-2.7-10, and the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2-2.5-1 through 23-2-2-2.5-51, as follows:

1. The Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under Indiana law.

2. Section 9 of the Agreement is amended to provide that in the event of a conflict of law, the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law will prevail.

3. Nothing in the Agreement will abrogate or reduce any rights you have under Indiana law.

4. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

5. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act are met independently without reference to this Addendum.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on ________________________, 20____.

We:	**You:**
BHF Franchising, LLC	____
By:______________________________________	By:______________________________________
Printed Name:_____________________________	Printed Name:_____________________________
Title:____________________________________	Title:____________________________________

BHF Franchising, LLC
Addendum to Development Agreement
(Maryland)

The following Addendum modifies and supersedes BHF Franchising, LLC Development Agreement (the "**Agreement**") with respect to Buddy's Home Furnishings franchises offered or sold to either a resident of the State of Maryland or a non-resident who will be operating a Buddy's Home Furnishings franchise in the State of Maryland pursuant to the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§ 14-201 through 14-233, as follows:

1. The general release language required as a condition of sale and/or assignment or transfer shall apply except for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

3. Your acknowledgments or representations made in this Agreement, which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law, are not intended to nor shall they act as release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. This Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

5. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Addendum.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned has executed this Addendum on _______________________, 20____.

We:	**You:**
BHF Franchising, LLC	____
By:_____________________________________	By:_____________________________________
Printed Name:____________________________	Printed Name:____________________________
Title:___________________________________	Title:___________________________________

BHF Franchising, LLC
Addendum to Development Agreement
(Minnesota)

The following Addendum modifies and supersedes the BHF Franchising, LLC Development Agreement (the "**Agreement**") with respect to Buddy's Home Furnishings franchises offered or sold to either a resident of the State of Minnesota or a non-resident who will be operating a Buddy's Home Furnishings franchise in the State of Minnesota pursuant to the Minnesota Franchise Law, Minn. Stat. §§ 80C.01 through 80C.22, as follows:

1. Section 10 of the Agreement is amended to add the following:

   With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds, 3, 4 and 5, which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Agreement.

2. Section 9 of the Agreement are amended to add the following:

   Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation or arbitration to be conducted outside Minnesota. In addition, nothing in the Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

3. Section 9 of the Agreement is amended to add the following:

   Minn. Rule Part 2860.4400J prohibits us from requiring you to waive your rights to a jury trial or waive your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

4. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

5. Each provision of this Agreement will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this Addendum.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _______________________, 20____.

We:	**You:**
BHF Franchising, LLC	_______________________________________
By:____________________________________	By:____________________________________
Printed Name:___________________________	Printed Name:___________________________
Title:__________________________________	Title:__________________________________

BHF Franchising, LLC
Addendum to Development Agreement
(New York)

The following Addendum modifies and supersedes the BHF Franchising, LLC Development Agreement (the "**Agreement**") with respect to Buddy's Home Furnishings franchises offered or sold to either a resident of the State of New York or a non-resident who will be operating a Buddy's Home Furnishings franchise in the State of New York pursuant to the General Business Law of the State of New York, Article 33, Sections 680 through 695, as follows:

1. Notwithstanding any provision of the Agreement to the contrary, we will not make any assignment of the Agreement except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Agreement.

2. Notwithstanding any provision of the Agreement to the contrary, all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

3. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.

4. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on ______________________, 20____.

We:	**You:**
BHF Franchising, LLC	______________________________________
By:___________________________________	By:___________________________________
Printed Name:____________________________	Printed Name:____________________________
Title:__________________________________	Title:__________________________________

BHF Franchising, LLC
Addendum to Development Agreement
(North Dakota)

The following Addendum modifies and supersedes the BHF Franchising, LLC Development Agreement (the "**Agreement**") with respect to Buddy's Home Furnishings franchises offered or sold to either a resident of the State of North Dakota or a non-resident who will be operating a Buddy's Home Furnishings franchise in the State of North Dakota pursuant to the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, as follows:

1. The Agreement shall be amended by the addition of the following Section 11:

The parties acknowledge and agree that they have been advised that the North Dakota Securities Commissioner has determined the following agreement provisions are unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. Restrictive Covenants: Any provision which discloses the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Any provision requiring that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. Restriction on Forum: Any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Any provision requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary and Punitive Damages: Any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Any provision requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

2. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this Addendum.

3. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on ________________________, 20____.

We:	**You:**
BHF Franchising, LLC	____
By:______________________________________	By:______________________________________
Printed Name:_____________________________	Printed Name:_____________________________
Title:____________________________________	Title:____________________________________

BHF Franchising, LLC
Addendum to Development Agreement
(Rhode Island)

The following Addendum modifies and supersedes the BHF Franchising, LLC Development Agreement (the "Agreement") with respect to Buddy's Home Furnishings franchises offered or sold to either a resident of the State of Rhode Island or a non-resident who will be operating a Buddy's Home Furnishings franchise in the State of Rhode Island pursuant to the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, as follows:

1. This Agreement requires that it be governed by the laws of the State of Florida. To the extent that such law conflicts with Rhode Island Franchise Investment Act, it is void under § 19-28.1-14.

2. Section 9 of the Agreement will be amended by the addition of the following, which will be considered an integral part of this Agreement:

> § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

3. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Rhode Island Franchise Investment Act are met independently without reference to this Addendum.

5. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _______________________, 20____.

We:	**You:**
BHF Franchising, LLC	____
By:_____________________________________	By:_____________________________________
Printed Name:_____________________________	Printed Name:_____________________________
Title:___________________________________	Title:___________________________________

Washington Addendum to the Development Agreement and All Related Agreements

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **<u>Certain Buy-Back Provisions</u>.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **<u>Fair and Reasonable Pricing</u>.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **<u>Waiver of Exemplary & Punitive Damages</u>.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **<u>Franchisor's Business Judgement</u>.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **<u>Indemnification</u>.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **<u>Attorneys' Fees</u>.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **<u>Noncompetition Covenants</u>.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **<u>Nonsolicitation Agreements</u>.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **<u>Questionnaires and Acknowledgments</u>.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller,

or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _______________________, 20____.

We:	**You:**
BHF Franchising, LLC	_______________________________________
By:____________________________________	By:____________________________________
Printed Name:____________________________	Printed Name:____________________________
Title:__________________________________	Title:__________________________________

EXHIBIT E

Technology Agreement

TECHNOLOGY AGREEMENT

THIS TECHNOLOGY AGREEMENT ("**Agreement**") is made and entered into between BHF Franchising, LLC (**"Franchisor**") and **________________________________** ("**Franchisee**") as of ______________ ("**Effective Date**") for franchised Buddy's Retail Business No. **______** ("**Franchised Business**") located at __________ ("**Franchised Location**").

1. <u>Franchise Agreement</u>. Franchisor and Franchisee have entered into or, simultaneously with the execution of this Agreement, will enter into, an agreement ("**Franchise Agreement**") pursuant to which Franchisor has granted or will grant Franchisee the right to operate the Franchised Business at the Franchised Location.

2. <u>POS Software</u>. Under the terms of Rider 1 to this Agreement ("**POS Software Rider**"), Franchisor will grant Franchisee a non-exclusive license to use the proprietary point of sale software known as VersiRent ("**POS System Software**") in connection with Franchisee's operation of the Franchised Business. Franchisee will execute the POS Software Rider simultaneously with its execution of this Agreement. In accordance with the POS Software Rider, the License Fee payable by Franchisee to Franchisor under the POS Software Rider is included in the Technology Fee (as defined in Section 7).

3. <u>Services</u>. Subject to the terms and conditions of this Agreement, Franchisor will provide Franchisee the services identified in attached Exhibit A ("**Services**"), as updated periodically pursuant to Section 6.

4. <u>Equipment</u>. Subject to the terms and conditions of this Agreement, Franchisor hereby leases to Franchisee, and Franchisee hereby leases, the equipment identified in Exhibit A ("**Equipment**"), as updated periodically pursuant to Section 6. Franchisee shall at all times protect and defend the Equipment against all claims, liens and legal processes of creditors and other persons. Franchisee shall have no right or property interest in the Equipment, except for the right to use the Equipment in the normal operation of the Franchised Business at the Franchised Business or as otherwise provided herein. The Equipment is and shall remain personal property even if installed in or attached to real property. Franchisee shall execute any financing statements regarding any Equipment, pursuant to the Uniform Commercial Code, which Franchisor reasonably requests Franchisee to execute. Franchisee authorizes Franchisor and its assignees to file a financing statement in all places where necessary or desirable to protect its or their interest in the Equipment in any jurisdiction where such authorization is permitted by law and acknowledges its responsibility to reimburse Franchisor for the cost of any fee(s) associated with this filing.

5. <u>Other Software</u>. Subject to the terms and conditions of this Agreement, Franchisor grants Franchisee the right to use, and Franchisee hereby accepts the right to use, the software, other than the POS System Software, identified in Exhibit A (**"Other Software")**, as updated periodically pursuant to Section 6. Franchisee shall have no right or interest in the Other Software, except for the right to use the Other Software in the normal operation of the Franchised Business at the Franchised Location or as otherwise provided herein. In this Agreement, Other Software and POS Software will be collectively referred to as "**Software**."

6. <u>Substitutions or Changes</u>. Exhibit A may be revised, at Franchisor's sole discretion or by agreement of the parties, periodically to add, delete, substitute, or modify the Software, Services, and Equipment that Franchisor will provide to Franchisee for use in connection with the Franchised Business and to provide an updated price list for such Software, Services, and Equipment. There is no limitation on the modifications that Franchisor may make to Exhibit A. In lieu of revising Exhibit A, Franchisor may require Franchisee to execute

Franchisor's then-current form of Technology Agreement or an addendum to this Agreement. With respect to any Other Software or Equipment removed from Exhibit A, Franchisee will comply with Section 11.

7. <u>Technology Fee</u>. Franchisee shall, in exchange for the leased Equipment, licensed Software, and Services provided hereunder, pay a monthly (or such other period designated by Franchisor) technology fee ("**Technology Fee**") in the total amount reflected on <u>Exhibit A</u>. Franchisor may modify the amount of the Technology Fee to reflect additions, substitutions, deletions, or other modifications to the Software, Services, and Equipment, to reflect Franchisor's then-current pricing for the Software, Services, and Equipment, as provided in Section 6, and to recover any additional fees, charges, or costs that Franchisor incurs in order to secure or maintain the Software, Services, and Equipment, including, but not limited to, license or registration fees or assessments or any increase therein. In accordance with the terms of the Franchise Agreement, Franchisee authorizes and directs its bank or financial institution to transfer directly to Franchisor's account, either electronically or through some other method of payment designated by Franchisor, and to charge to Franchisee's account all Technology Fees and any other costs, fees, taxes and amounts Franchisee is required to pay under this Agreement. This authorization shall not impose any legal obligation on Franchisor to make such withdrawals. Franchisor's decision not to withdraw funds during a given time period shall not constitute a waiver of any amounts due pursuant to this Agreement. Franchisee agrees that Franchisor shall incur no liability as a result of any withdrawal being dishonored by Franchisee's bank or financial institution and that no payment shall be considered paid until Franchisor actually receives the funds for such payment.

8. <u>Additional Payment Obligations</u>. In addition to paying the Technology Fee, Franchisee shall be responsible for all shipping and installation costs relating to, and for the reimbursement to Franchisor of any property, sales, use or other similar taxes required to be paid in connection with, the Software, Services, and Equipment.

9. <u>Term</u>. The term of this Agreement will begin on the Effective Date and shall automatically terminate upon the earlier of: (i) expiration or termination of the Franchise Agreement; or (ii) Franchisor's delivery of written notice of termination of this Agreement to Franchisee, which Franchisor may provide at any time, with or without cause.

10. <u>Return to Franchisor</u>. Upon the termination of this Agreement or as required by Franchisor, including, but not limited to, upon the removal of particular Other Software or a particular piece of Equipment from Exhibit A, Franchisee, at its sole expense, will (i) cause the applicable Other Software to be de-installed from all hardware and certify in writing that the de-installation has occurred, (ii) cause the applicable Equipment to be de-installed, packed using the manufacturer's standard packing materials and shipped to a location designated by Franchisor ("**Return Location**"), and (iii) comply with any other requirements specified by Franchisor related to the de-installation, return, or destruction of the applicable Other Software or Equipment. If Franchisee fails to timely return the Equipment to the Return Location, Franchisee shall be responsible for reimbursing Franchisor for all costs incurred by Franchisor for Franchisee's failure to timely return the Equipment. Franchisee retains the risk of loss until the Equipment reaches the Return Location.

11. <u>Use</u>. Franchisee shall maintain the Equipment and at the Franchised Location and shall not move it to a different location without Franchisor's prior written consent. Franchisee shall use the Software only in connection with Equipment leased hereunder.

12. <u>Inspection</u>. Franchisor, or its designated agent, may, after reasonable notice and at reasonable times during business hours, enter the Franchised Location for the purposes of inspecting the Equipment and the manner in which it and the Software are being used.

13. Maintenance. Until the return of the Equipment to Franchisor, Franchisee, at its expense, shall properly maintain such Equipment, shall use it in a careful manner, shall keep it in good working order and repair, and shall not make any alterations or attachments to such Equipment without Franchisor's prior written consent. If, at any time during term of this Agreement, Franchisee fails to maintain the Equipment as required herein or if the Equipment is not operating according to the manufacturer's specifications, Franchisor may charge Franchisee for all costs, losses, expenses and fees associated with such Equipment and the repair or replacement thereof by adding such amounts to the amount of the payments to be withdrawn from Franchisee's bank account pursuant to Sections 5(d) and 5(e) of the Franchise Agreement.

14. Loss and Damage. Franchisee shall assume and bear the risk of loss, theft and damage to the Equipment and all component parts thereof from any and every cause whatsoever, whether or not covered by insurance. No loss or damage to the Equipment or any component part thereof shall impair any obligation of Franchisee under this Agreement. Franchisee, at its expense, shall repair or cause to be repaired all damage to the Equipment.

15. Insurance. With respect to each piece of Equipment, until the Equipment is returned to Franchisor or as otherwise provided herein, Franchisee, at its expense, shall maintain (i) property and casualty insurance insuring the Equipment for its casualty loss value and naming Franchisor or its assigns as loss payee; and (ii) comprehensive public liability and third-party property insurance naming Franchisor and its assigns as additional loss payees. The insurance shall cover the interests of Franchisee and Franchisor in the Equipment, or as the case may be, shall protect Franchisee and Franchisor in respect to all risks arising out of the condition, delivery, installation, maintenance, use or operation of the Equipment. All insurance shall provide for 30 days prior written notice to Franchisor and Franchisee of cancellation, restriction, or reduction of coverage. Franchisee's insurance obligations shall survive the expiration, termination, cancellation or assignment of this Agreement and shall be binding upon Franchisee's successors and permitted assigns.

16. Indemnity. Franchisee agrees to indemnify and hold Franchisor harmless at all times after the date hereof against and with respect to any claims, actions, suits, proceedings, demands, assessments, judgments, damages, losses, costs, expenses (including, without limitation, reasonable attorneys' fees at trial and on appeal) or deficiencies, of any nature whatsoever, asserted against Franchisor and (I) arising out of or resulting from Franchisee's failure to satisfy any of its respective liabilities or obligations under this Agreement, (ii) arising out of or resulting from or related to any misrepresentation or breach of warranty or breach or violation of any covenant or agreement on the part of Franchisee which is contained in this Agreement, (iii) arising out of or resulting from or in connection with Franchisee's use of any Equipment or Software under or pursuant to this Agreement, or (iv) arising out of, resulting from or in connection with the performance by Franchisee of any obligation under or pursuant to this Agreement. Franchisee's duty to defend and indemnify Franchisor shall survive the expiration, termination, cancellation or assignment of this Agreement and shall be binding upon Franchisee's successors and permitted assigns.

17. Assignment. Franchisee shall not assign, transfer, pledge, hypothecate or otherwise dispose of this Agreement or any interest therein without the prior written consent of Franchisor. Franchisor may assign this Agreement and/or grant a security interest in any Equipment, in whole or in part, without notice to Franchisee.

18. Default. Upon the occurrence of a default by Franchisee of any obligation of payment, obligation to perform, or of any term, covenant or condition of this Agreement ("**Default**"); or the occurrence of a default under the Franchise Agreement ("**FA Default**"); or upon the expiration or termination of the Franchise Agreement, Franchisor and/or its agents may, without notice, liability or legal process, enter upon the

Franchised Location, or upon any other premises where the Software and Equipment may be located at the time of such Default, FA Default, expiration or termination, and un-install the Software and repossess the Equipment, disconnecting and separating it from any other property and using all means necessary to do so. Franchisee acknowledges that Franchisor has the right to un-install the Software and repossess the Equipment should a Default or FA Default occur. As additional remedies, Franchisor may recover all Technology Fees and other amounts due as of the date of such Default, FA Default, expiration or termination; recover all Technology Fees and other amounts to be paid by Franchisee hereunder; recover the casualty loss value of the Equipment; terminate any or all of Franchisee's rights, but not its obligations associated with this Agreement; require Franchisee to deliver the Equipment to a location designated by Franchisor; or pursue any other remedy Franchisor may otherwise have, at law, equity or under any statute, and recover damages and expenses, including attorney's fees, incurred by Franchisor by reason of Franchisee's Default or FA Default. Franchisor may accept past due payments in any amount without modifying the terms of this Agreement and without waiving any rights of Franchisor hereunder.

19. **Attorneys' Fees.** In any action, suit or proceeding to enforce, defend or interpret the rights of either Franchisor or Franchisee under the terms of this Agreement or to collect any amounts due Franchisor or Franchisee hereunder, the prevailing party, pursuant to a final order of a court having jurisdiction over said matter as to which applicable periods within which to appeal have elapsed, shall be entitled to recover all reasonable costs and expenses incurred by said prevailing party in enforcing, defending or interpreting its rights hereunder, including, without limitation, all collector and court costs, and reasonable attorneys' fees, whether incurred out of court, at trial, on appeal, or in any bankruptcy proceeding.

20. **Entire Agreement.** The terms of this Agreement (including Exhibit A, as periodically revised pursuant to Section 6, and the POS Software Rider) and the Franchise Agreement constitute the entire agreement between Franchisor and Franchisee with respect to the Software, Services, and Equipment.

21. **Binding Arbitration.** Any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules. The number of arbitrators shall be one. The place of arbitration shall be Tampa, Florida. Florida law shall apply. Judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

22. **Binding Effect.** This Agreement binds, and inures to the benefit of, the parties to this Agreement and their respective heirs, executors, administrators, legal representatives, successors, and assigns when this Agreement permits.

23. **Survival of Obligations.** All covenants, agreements, representations, and warranties contained in this Agreement, or in any document attached hereto, shall survive the execution and delivery of this Agreement and the expiration or other termination of this Agreement.

24. **Severability.** If any one or more of the terms, covenants or conditions in this Agreement, or the application thereof, are for any reason held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability will not affect any other term, covenant or condition of this Agreement, and the remainder of this Agreement, or the application thereof, will be construed as if it had not included the invalid, illegal or unenforceable term, covenant or condition, and be valid and enforced to the fullest extent permitted by law.

25. **Amendment/Modification.** Except as provided in Section 6, no amendment, modification, or alteration of this agreement is binding unless in writing, dated subsequent to the date of this Agreement, and duly executed by the parties hereto or their respective successors in interest. No act or omission of any employee or other agent of either party hereto shall alter, change or modify any of the provisions hereof.

26. **Cumulative Remedies/Waiver.** The rights and remedies provided by this Agreement are cumulative, and either party's using any right or remedy will not preclude or waive its right to use any other remedy. These rights and remedies are in addition to any other rights the parties may have under the Franchise Agreement or by law, statute, ordinance, or otherwise. The parties hereto also agree that the failure of either party to insist upon strict observance of any of the terms, covenants or conditions of this Agreement at any time shall not be deemed a waiver of such party's right to insist upon strict observance thereafter.

27. **Warranties of Signatures.** The individuals executing this Agreement hereby warrant that they have all necessary authority to bind the respective party to this Agreement.

28. **Agreement Construction.** The captions and section numbers appearing in this Agreement are inserted only as a matter of convenience and in no way define the scope or intent of such sections of this Agreement or in any way affect this Agreement. Whenever herein the singular number is used, the same shall include the plural and the masculine gender shall include the feminine and neutral genders.

29. **Counterparts.** This Agreement may be executed in counterparts, each of which shall constitute an original and all of which when taken together shall constitute one and the same instrument.

30. **Schedule of Exhibits and Riders.**

Exhibit A**:** Equipment & Technology Fees Schedule

Rider 1: POS Software Rider

IN WITNESS WHEREOF, the parties have executed this Agreement with an Effective Date as herein provided.

FRANCHISOR:	**FRANCHISEE:**
BHF FRANCHISING, LLC	______________________________ (Franchisee Name)
______________________________ (Signature)	______________________________ (Signature)
Michael Bennett______________________ (Name)	______________________________ (Name)
Chief Executive Officer________________ (Title)	Manager__________________________ (Title)
8529 Southpark Circle, Suite 410_________	______________________________
Orlando, FL 32819___________________ (Address)	______________________________ (Address)

Exhibit A

Equipment, Software, and Services and Technology Fees Schedule

(EXAMPLE ONLY)

	Exhibit A		
	Equipment and Technology Fees Schedule - Leased Equipment Monthly Rates		
	Store # / **Address** / **Date**		
QT	Hardware and networking Note: these rates are locked in for the duration of the lease.	PRICE	TOTAL
1	Server - HP ProDesk 600 G1 Mini 16GB RAM - Intel Core i7 CPU	22.61	22.61
1	Manager - HP ProDesk 600 G1 Mini 8GB RAM - Intel Core i5	17.97	17.97
4	Workstation - HP ProDesk 600 G1 Mini 8GB RAM - Intel Core i3	15.63	62.52
6	HP ProDesk Workstation computer monitors	3.26	19.58
5	HP Desktop Mini Scurity,Dual VESA Sleeve	0.87	4.36
6	HP Care Pack NBD Hardware - extended service agreement - 5 years - on-site	1.88	11.28
1	MX64W-HW - Meraki MX64W Security Appliance	10.34	10.34
1	LIC-MX64W-SEC-3YR 5YR Meraki MX64W Advanced Security license	21.34	21.34
1	Cisco Small Business 200 Series Smart Switch	3.06	3.06
1	BUFFALO LinkStation 210 - NAS server - 2 TB -	3.16	3.16
1	Side Mount Deep Open Frame Rack Cabinet	6.47	6.47
2	Cantilever Shelf Fixed Mount 2U x 19"	0.71	1.43
1	Belkin RJ-45 1.5m Green	0.10	0.10
24	Belkin RJ-45 4.3m Blue	0.07	1.71
2	Belkin RJ-45 3m Red	0.14	0.29
1	Tripp Lite SmartPro 500RT1U - UPS - 300 Watt - 500 VA	3.76	3.76
5	Tripp Lite 550VA UPS Compact Low Profile Standby	1.45	7.26
1	Receipt Printer Epson TM-T88V-330 Ethernet USB Printer w Edge & Power	8.14	8.14
1	Barcode Printer Zebra 2824+ DT 203dpi EPL ZPL USB 10 100 Ethernet Printer	6.54	6.54
1	Buddy's Printing Solution - HP Laserjet Pro MFP M521dn & HP LaserJet M402n	129.00	129.00
		Total	340.90
		Paymen	340.90
	Software and Services		
1	Microsoft Office 365	39.00	39.00
1	Online and Mobile Payments	29.00	29.00
1	VersiRent	227.00	227.00
1	Infrastructure & Backup	195.00	195.00
1	Support	75.00	75.00
		Paymen	565.00
	Est. Monthly Payment		905.90

EXAMPLE

RIDER 1

SOFTWARE LICENSE AGREEMENT

This Software License Agreement (this "**Agreement**") is entered into simultaneously with the foregoing Technology Agreement ("**Technology Agreement**") by and between Franchisor and Franchisee (as identified in the Technology Agreement) ("**Licensee**"). Any capitalized term not defined in this Agreement will have the meaning given to it in the Technology Agreement.

RECITALS

A. Pursuant to the Franchise Agreement, Licensee has been granted a franchise to operate a franchised rent-to-own home furnishings, electronics and appliances business identified by the trade name and service mark "BUDDY'S HOME FURNISHINGS."

C. Franchisor and its affiliates own the source code to proprietary point of sale ("POS") software known as Versirent powered by Idealt ("**Software**") which Franchisor makes available to its franchisees;

D. The Franchise Agreement requires Licensee to use the Software in the operation of the franchised business; and

E. Licensee wishes to obtain a non-exclusive license to use the Software, and Franchisor is willing to grant such non-exclusive license to Licensee on the terms set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and conditions contained herein, the parties agree as follows:

1. <u>Software</u>.

1.1 <u>License Grant</u>. Subject to Licensee's compliance with the terms and conditions of this Agreement, Franchisor hereby grants Licensee a limited, personal, revocable, non-transferable, non-exclusive license during the term of this Agreement, to use the Software for internal business purposes and permit users authorized by Licensee ("**Users**") to use the Software for internal business purposes. The Software will be made available to Licensee under this Agreement in object code only; no source code is provided to Licensee under this Agreement.

1.2 <u>Delivery and Acceptance</u>. Following execution of this Agreement, Franchisor shall enable Licensee to download the Software from the Site, or shall otherwise make the Software available to Licensee. The Software (and any future Software updates or upgrades that Franchisor may make available to Licensee from time-to-time and which are included in the defined term "Software") will be deemed accepted upon Franchisor making the Software (or the relevant update or upgrade) available to Licensee.

1.3 <u>Restrictions</u>. Licensee may not, and will not permit or induce any third party (including, without limitation, any User) to: (i) decompile, reverse engineer, disassemble or otherwise attempt to reconstruct or discover the source code, underlying ideas or algorithms of any components of the Software; (ii) alter, modify, translate, adapt in any way, or prepare any derivative work based upon the Software; (iii) rent, lease, network, loan, pledge, encumber, sublicense, sell, distribute, disclose, assign or otherwise transfer the Software or any copy thereof; (iv) use the Software in commercial timesharing, rental or other sharing arrangements; (v) use the software on any computer equipment or hardware other than equipment and hardware leased from Franchisor; (vi) remove any proprietary notices from the Software or any related documentation or other materials furnished or made available hereunder. In addition, Licensee agrees to comply with all applicable local, state, national, and international laws, rules and regulations applicable to Licensee's use of the Software.

1.4 <u>Proprietary Rights</u>. Franchisor or its licensors retain all right, title and interest in and to the Software and related documentation and materials, including, without limitation, all patent, copyright, trademark, and trade secret rights, embodied in, or otherwise applicable to the Software, whether such rights are registered or unregistered, and wherever in the world those rights may exist. Licensee shall not commit any act or omission, or permit or induce any third party to commit any act or omission inconsistent with Franchisor's or its licensors' rights, title and interest in and to the Software and the intellectual property rights embodied therein or applicable thereto. All materials embodied in, or comprising the Software, including, but not limited to, graphics, user and visual interfaces, images, code, applications, and text, as well as the design, structure, selection, coordination, expression, "look and feel", and arrangement of the Software and its content, and the trademarks, service marks, proprietary logos and other distinctive brand features found in the Software ("**Buddy's Marks**"), are all owned by Franchisor or its licensors. This Agreement does not grant a license to use the Buddy's Marks. Title to the Software shall not pass from Franchisor to Licensee, and the Software and all copies thereof shall at all times remain the sole and exclusive property of Franchisor. There are no implied rights or licenses in this Agreement. All rights are expressly reserved by Franchisor.

1.5 Third Party Software. Franchisor may in its sole discretion, make available third party software ("**Third Party Software**") embedded in, or otherwise provided with, the Software. Third Party Software is expressly excluded from the defined term "Software" as used throughout this Agreement. Licensee's use of the Third Party Software is subject to the applicable third party license terms which will be made available to Franchisee when applicable and such Third Party Software is not licensed to Licensee under the terms of this Agreement. If Licensee does not agree to abide by the applicable license terms for the Third Party Software, then Licensee may not access or use the Software or the Third Party Software.

1.6 Inspection. Franchisor shall have the right to review Licensee's use of the Software (consistent with Franchisor's inspections rights under the Franchise Agreement) to verify Licensee's compliance with the terms of this Agreement.

2. Fees & Payment Terms.

2.1 Software License Fees. Licensee shall pay Franchisor a monthly (or such other period designated by Franchisor) fee by the 10^{th} day of each month during the term of this Agreement (the "**License Fee**") or as otherwise provided in the Technology Agreement. This License Fee is for support, maintenance and access to the Software. The License Fee is included in the Technology Fee paid by Licensee to Franchisor under the terms of the Technology Agreement.

2.2 Payment Terms. All payments under this Agreement shall be made in currently available funds and payments may be made by check, wire transfer, or by such other means as Franchisor may specify from time-to-time. All fees are payable in U.S. currency. All fees specifically exclude (and Licensee is responsible for) any and all applicable sales, use and other taxes, other than taxes based on Franchisor's income. Any amounts due under this Agreement which are not paid within thirty (30) calendar days of their due date shall be subject to a late payment charge of the lower of: (i) one and one half percent (1.5%) per month (and shall thereafter bear interest at a rate of eighteen percent (18%) per annum until paid); and (ii) the highest interest rate permitted by applicable law. Each party is responsible for its own expenses under this Agreement. All fees payable under this Agreement are non-refundable. Franchisor will not issue any invoices for the fees due hereunder unless expressly requested by Licensee; provided however, that all fees are automatically due as set forth in this Section 3 irrespective of the date of issue of any invoice.

3. Term & Termination.

3.1 Term. Subject to termination as set forth in this Section 3, the term of this Agreement will commence on the Effective Date and will continue for as long as any Software is being provided by Franchisor to Licensee under this Agreement. Franchisor may cease providing the Software at any point during the term of this Agreement upon sixty (60) days' prior written notice to Licensee.

3.2 Termination.

(a) Franchisor may terminate this Agreement upon written notice to Licensee -: (i) upon the institution by the Licensee of insolvency, receivership or bankruptcy proceedings or any other act of bankruptcy or proceedings for the settlement of its debts; (ii) upon the institution of bankruptcy proceedings against the Licensee, which are not dismissed or otherwise resolved in its favor within ninety (90) days thereafter; (iii) upon the Licensee making a general assignment for the benefit of creditors, whether voluntary or involuntary, or calling a general meeting of the party's creditors for purposes of compromising any of the party's debts; or (iv) upon the Licensee dissolving, liquidating, winding up, or ceasing to conduct business in the ordinary course.

(b) Franchisor may terminate this Agreement immediately, if Licensee willfully and maliciously commits a material breach of Section 1.3 (Restrictions) or commits another breach of this Agreement.

(c) Franchisor may terminate this Agreement if Licensee is in default under the Franchise Agreement, Technology Agreement, or the Franchise Agreement or Technology Agreement is terminated by Franchisor or expires.

3.3 Effects of Termination. Upon the termination of this Agreement for any reason: (i) the licenses granted under this Agreement in respect of the Software shall immediately terminate and Licensee shall cease to use Software and shall cease making the Software or any services available to Users; (ii) Licensee shall pay to Franchisor the full amount of any outstanding fees due hereunder; and (iii) within ten (10) calendar days of such termination, each party shall destroy or return all confidential and/or proprietary information of the other party in its possession, and will not make or retain any copies of such information in any form, except that the receiving party may retain one (1) archival copy of such information solely for purposes of ensuring compliance with this Agreement. Notwithstanding the foregoing, the following terms shall survive the termination of this Agreement, together with any other terms which by their nature are intended to survive such termination: Sections 1.3 (Restrictions), 1.4 (Proprietary Rights), 2 (Fees & Payment Terms), 3.3 (Effects of Termination), 4 (Confidentiality), 5.2 (Disclaimer of Warranties), 6 (Indemnification), 7 (Limitation of Liability), 9 (Governing Law & Jurisdiction), 10 (Notices), and 11 (General Provisions).

4. Confidentiality.

4.1 General. If a party (the "**Receiving Party**") obtains access to Confidential Information (as defined below) of the other party (the "**Disclosing Party**") in connection with the negotiation or performance of this Agreement, the Receiving Party agrees: (a) not to directly or indirectly disclose the Confidential Information to any third party except as contemplated by this Agreement; and (b) to use the Confidential Information only to perform its obligations and exercise its rights under this Agreement. The Receiving Party shall use at least the same degree of care to protect the Confidential Information of the Disclosing Party from unauthorized disclosure or access that the Receiving Party uses to protect its own Confidential Information, but not less than reasonable care. The Receiving Party shall immediately notify the Disclosing Party of any actual or suspected loss or unauthorized use, disclosure of or access to the Disclosing Party's Confidential Information of which it becomes aware and take all steps reasonably requested by the Disclosing Party to limit, stop or otherwise prevent such loss or unauthorized use, disclosure or access.

4.2 Confidential Information. "**Confidential Information**" shall mean: (a) all information about or belonging to the Disclosing Party or a third party that is disclosed or otherwise becomes known to the Receiving Party in connection with this Agreement and that is not a matter of public knowledge; (b) all trade secrets, customer information and intellectual property owned or licensed by the Disclosing Party; (c) all personal information about individuals contained in the Disclosing Party's records (including names, addresses, social security numbers, and credit card and other financial information); and (d) the Software. The terms of this Agreement are the Confidential Information of both parties, which may be disclosed by a party, only to the extent reasonably necessary, to its legal and financial advisors and to subcontractors or other third parties that will be providing services in connection with the Agreement and who are under an obligation to protect the confidentiality of the Confidential Information.

4.3 Exclusions. Any particular information of the Disclosing Party shall not be considered Confidential Information if it: (a) was previously rightfully known by the Receiving Party free of any obligation to keep it confidential; (b) is or becomes publicly known through no wrongful act of the Receiving Party; (c) is independently developed by the Receiving Party without reference to the Confidential Information of the Disclosing Party; or (d) is subject to disclosure pursuant to a subpoena, judicial or governmental requirement, or order, provided that the Receiving Party has given the Disclosing Party sufficient prior notice of such subpoena, requirement, or order, to permit the Disclosing Party a reasonable opportunity to object to the subpoena, requirement, or order and to allow the Disclosing Party the opportunity to seek a protective order or other appropriate remedy.

5. Warranties & Disclaimer of Warranties.

5.1 General Representations and Warranties. Each party represents and warrants to the other party that: (i) it has the full power and authority to enter into this Agreement and to carry out its obligations under this Agreement; and (ii) it has complied, and will in the future comply, with all applicable laws, rules and regulations in connection with the execution, delivery and performance of this Agreement.

5.2 Disclaimer of Warranties. EXCEPT AS EXPRESSLY SET FORTH ABOVE IN THIS SECTION 6: (I) THE SOFTWARE ARE PROVIDED TO LICENSEE ON AN "AS IS" BASIS, WITH ANY AND ALL FAULTS, AND WITHOUT ANY WARRANTY OF ANY KIND; AND (II) FRANCHISOR EXPRESSLY DISCLAIMS ALL REPRESENTATIONS, WARRANTIES AND CONDITIONS WHETHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, INCLUDING WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, SATISFACTORY QUALITY, AND NON-INFRINGEMENT OF THIRD PARTY RIGHTS. FRANCHISOR DOES NOT WARRANT THAT THE SOFTWARE WILL MEET LICENSEE'S OR ITS USERS' REQUIREMENTS, OR THAT THE OPERATION OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR-FREE, OR THAT DEFECTS IN THE SOFTWARE WILL BE CORRECTED. LICENSEE EXPRESSLY ACKNOWLEDGES AND AGREES THAT THE USE OF THE SOFTWARE AND ALL RESULTS OF SUCH USE IS SOLELY AT LICENSEE'S AND ITS USERS' OWN RISK. NO ORAL OR WRITTEN INFORMATION OR ADVICE GIVEN BY FRANCHISOR OR ITS AUTHORIZED REPRESENTATIVES SHALL CREATE A WARRANTY OR IN ANY WAY INCREASE THE SCOPE OF ANY WARRANTY. SOME JURISDICTIONS MAY NOT ALLOW THE EXCLUSION AND/OR LIMITATION OF IMPLIED WARRANTIES OR CONDITIONS, OR ALLOW LIMITATIONS ON HOW LONG AN IMPLIED WARRANTY LASTS, SO THE ABOVE LIMITATIONS OR EXCLUSIONS MAY NOT APPLY TO LICENSEE. IN SUCH EVENT, FRANCHISOR'S WARRANTIES AND CONDITIONS WITH RESPECT TO THE SOFTWARE WILL BE LIMITED TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW IN SUCH JURISDICTION.

6. Indemnification.

6.1 Indemnification. Licensee hereby agrees to indemnify, defend and hold harmless Franchisor and its parents, affiliates, subsidiaries, licensors, and third party service providers, and its and their respective officers, directors, employees, agents, representatives, and contractors (each, a "**Franchisor Party**"), from and against any and all liability and costs (including, without limitation, attorneys' fees and costs) incurred by any Franchisor Party in connection with any actual or alleged claim arising out of, or relating to: (i) Licensee's breach of this Agreement, or violation of any applicable law, rule or regulation and (ii) Licensee's gross negligence, fraudulent misrepresentation or willful misconduct.

6.2 Procedure. Counsel Licensee selects for the defense or settlement of a claim must be consented to by Franchisor prior to counsel being engaged to represent any Franchisor Party. Licensee and Licensee's counsel will cooperate as fully as reasonably required, and provide such information as reasonably requested, by Franchisor in the defense or settlement of any claim. Franchisor reserves the right, at its own expense, to assume the exclusive defense or settlement, and control of any matter otherwise subject to indemnification by Licensee. Licensee shall not in any event, consent to any judgment, settlement, attachment, or lien, or any other act adverse to the interests of any Franchisor Party without the prior written consent of each relevant Franchisor Party.

7. Limitation of Liability.

7.1 Consequential Damages Waiver. UNDER NO CIRCUMSTANCES, SHALL ANY FRANCHISOR PARTY BE LIABLE TO LICENSEE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, PUNITIVE, RELIANCE, OR CONSEQUENTIAL DAMAGES, (INCLUDING, WITHOUT LIMITATION, DAMAGES FOR LOSS OF BUSINESS PROFITS, BUSINESS INTERRUPTION, LOSS OF BUSINESS INFORMATION AND THE LIKE) ARISING OUT OF OR RELATING TO THE USE AND/OR INABILITY TO USE THE SOFTWARE, REGARDLESS OF THE LEGAL THEORY UPON WHICH ANY CLAIM FOR SUCH DAMAGES IS BASED AND EVEN IF A FRANCHISOR PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

7.2 Limitation of Damages. WITHOUT LIMITING THE FOREGOING, IN NO EVENT SHALL THE FRANCHISOR PARTIES' TOTAL CUMULATIVE LIABILITY TO LICENSEE FOR ALL DAMAGES, LOSSES AND CAUSES OF ACTION (WHETHER IN CONTRACT, TORT, INCLUDING NEGLIGENCE AND STRICT LIABILITY, OR OTHERWISE) EXCEED THE TOTAL AMOUNT OF FEES PAID BY LICENSEE TO FRANCHISOR DURING THE TWELVE (12) MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT GIVING RISE TO THE FRANCHISOR PARTIES' LIABILITY.

7.3 Failure of Essential Purpose. THE PARTIES AGREE THAT THESE LIMITATIONS SHALL APPLY EVEN IF THIS AGREEMENT OR ANY LIMITED REMEDY SPECIFIED HEREIN IS FOUND TO HAVE FAILED OF ITS ESSENTIAL PURPOSE.

7.4 Jurisdictional Issues. Some jurisdictions may not allow the exclusion or limitation of incidental, special, consequential, or other damages, so the above limitations or exclusions may not apply to Licensee. In such event, the liability of the Franchisor Parties for such damages with respect to the Software will be limited to the greatest extent permitted by applicable law in such jurisdiction.

8. Export. Licensee acknowledges that the laws and regulations of the United States of America and foreign jurisdictions may restrict the export and re-export of certain commodities and technical data of United States of America origin, including the Software. Licensee agrees that it will not export or re-export the Software without the appropriate United States or foreign government licenses or permits.

9. Governing Law & Jurisdiction. This Agreement will be construed and enforced in all respects in accordance with the laws of the state of Florida, without reference to its choice of law rules. Any action or proceeding permitted to be brought in court, shall be brought in the state courts located in the state and county in which Franchisor's principal place of business is located or the federal courts of the state and district in which Franchisor's principal place of business is located. For any action or proceeding permitted to be brought in court, Licensee consents to the jurisdiction of the state courts located in the state and county in which Franchisor's principal place of business is located and the federal courts of the state and district in which Franchisor's principal place of business is located. The parties hereto waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The exclusive choice of jurisdiction and venue does not preclude the enforcement by either party hereto of any judgment obtained in such jurisdiction, in any appropriate jurisdiction. Notwithstanding anything in this Agreement to the contrary, Franchisor may seek injunctive or other equitable relief in any court of competent jurisdiction to protect any actual or threatened misappropriation or infringement of its intellectual property rights or those of its licensors, and Licensee hereby submits to the exclusive jurisdiction of such courts and waives any objection thereto on the basis of improper venue, inconvenience of the forum or any other grounds. Licensee agrees that any breach of the license restrictions or other infringement or misappropriation of the intellectual property rights of Franchisor or its licensors will result in immediate and irreparable damage to Franchisor for which there is no adequate remedy at law. The United Nations Convention on Contracts for the International Sale of Goods in its entirety is expressly excluded from this Agreement, including, without limitation, application to the Software provided hereunder. Furthermore, this Agreement will not be governed or interpreted in any way by referring to any law based on the Uniform Computer Information Transactions Act (UCITA) or any other act derived from or related to UCITA.

10. Notices. All notices permitted or required under this Agreement shall be in writing and shall be delivered by personal delivery, e-mail, or by certified or registered mail, return receipt requested, and shall be deemed given upon personal delivery, five (5) business days after deposit in the U.S. mail, or upon confirmation of transmission if sent by e-mail. Notices shall be sent to each party at their respective addresses as set forth in this Agreement, as such contact information may be updated by each party from time-to-time pursuant to this Section 11.

11. General Provisions. Licensee shall not assign this Agreement or transfer any of its rights hereunder, or delegate the performance of any of its duties or obligations arising under this Agreement, whether by merger, acquisition, sale of assets, operation of law, or otherwise, without the prior written consent of Franchisor. Any purported assignment in violation of the preceding sentence is null and void. Subject to the foregoing, this Agreement shall be binding upon, and inure to the benefit of, the successors and assigns of the parties thereto. Except as otherwise specified in this Agreement, this Agreement may be amended or supplemented only by a writing that refers explicitly to this Agreement and that is signed on behalf of both parties. No waiver will be implied from conduct or failure to enforce rights. No waiver will be effective unless in a writing signed on behalf of the party against whom the waiver is asserted. If any term of this Agreement is found invalid or unenforceable that term will be enforced to the maximum extent permitted by law and the remainder of this Agreement will remain in full force. The parties are independent contractors and nothing contained herein shall be construed as creating an agency, partnership, or other form of joint enterprise between the parties. This Agreement represents the entire agreement between the parties relating to its subject matter and supersedes all prior and/or contemporaneous representations, discussions, negotiations and agreements, whether written or oral. Except for Licensee's payment obligations hereunder, neither party shall be liable to the other party or any third party for failure or delay in performing its obligations under this Agreement when such failure or delay is due to any cause beyond the control of the party concerned, including, without limitation, acts of God, governmental orders or restrictions, fire, or flood, provided that upon cessation of such events such party shall thereupon promptly perform or complete the performance of its obligations hereunder. Except as otherwise expressly provided in this Agreement, all remedies provided for in this Agreement shall be cumulative and in addition to and not in lieu of any other remedies available to either party at law, in equity or otherwise. This Agreement may be entered into in one or more counterparts, each of which will be deemed an original, and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

BHF FRANCHISING, LLC	[***Name of Licensee***]
By:____________________________	By:____________________________
Name:__________________________	Name:__________________________
Title:___________________________	Title:___________________________
Address: ________________________	Address: ________________________

EXHIBIT F

Signage Lease Agreement

SIGNAGE LEASE

THIS SIGNAGE LEASE (this "**Agreement**") is effective on the _______ day of ______, 20____, ("**Effective Date**") by and between BHF Franchising, LLC, a Delaware limited liability company, with its principal place of business at 8529 Southpark Circle, Suite 410, Orlando, Florida 32819 ("**Lessor**"), and ____________________________, a _______________, with a business address of ________________________________ ____________________ ("**Lessee**").

RECITALS

A. Lessee and Lessor are parties to a Franchise Agreement dated _____________, 20____ (the "**Franchise Agreement**") for the operation of a Buddy's Home Furnishings retail business at the location described in Exhibit A to this Agreement (the "**Retail Business**").

B. Lessee desires to lease the Signage (defined below) from Lessor and Lessor desires to lease the Signage to Lessee, all upon the terms and subject to the terms of this Agreement.

In consideration of the foregoing and the mutual covenants and consideration below, Lessor and Lessee agree as follows:

1. **Scope**. Lessee agrees to lease from Lessor the signage, identified on Exhibit A attached hereto and incorporated herein by reference ("**Signage**").

2. **Term**. The term of this Agreement shall commence on the Effective Date and shall expire simultaneously with the expiration or termination of the Franchise Agreement (including any renewal period for the Franchise Agreement or renewal of the right to operate the Retail Business under a successor franchise agreement).

3. **Payment**. Beginning on the date the Signage is installed ("**Installation Date**"), Lessee shall commence making weekly lease payments (each, a "**Weekly Lease Payment**") (i) in the amount set forth in Exhibit A during the first five (5) years after the Installation Date and (ii) in the amount of one dollar ($1) per week thereafter for the remainder of this Agreement. Each Weekly Lease Payment will be due and payable in accordance with the provisions in Section 5(d) and 5(e) of the Franchise Agreement. This Agreement is not a finance lease.

4. **Payment of Taxes and Charges**. In addition to the payment described in Section 3 hereof, Lessee agrees to pay (and does hereby agree to indemnify and hold Lessor harmless from and against) all assessments and taxes of every type and nature including but not limited to sales, use, property, ad valorem, and value-added (including penalties and interest unless caused by the fault of Lessor) imposed against Lessor, Lessee or the Signage, upon or with respect to the Signage or upon the ownership, delivery, lease, possession, use, operation or return of the Signage hereunder or upon the rentals or receipts arising therefrom or with respect to this Agreement, unless and to the extent only that such tax, levy or charge is being contested by Lessee in good faith and by appropriate proceedings. The foregoing taxes, penalties and interest, if any, shall be promptly paid by Lessee. Any taxes imposed in lieu of or in substitute of any such existing sales, use or property tax, shall be for the account of Lessee.

5. **Free of Encumbrances; Assignment**. Lessee shall keep and maintain the Signage and the lease payments due under this Agreement free and clear of all liens, charges, security interests and encumbrances (except any placed thereon by Lessor or its assignee or secured party). Lessee shall not assign, transfer, pledge, hypothecate or otherwise dispose of this Agreement or any interest therein without the prior written consent of Lessor. Lessor may assign this Lease and/or grant a security interest in the Signage without notice to Lessee.

6. **Risk of Loss**. Beginning on the Installation Date, the risk of loss for any damage to or destruction of the Signage shall be upon Lessee. If, at any time following the passage of risk of loss to Lessee, the Signage (or any portion of the Signage) is damaged, lost or destroyed by any cause, Lessee shall be liable for the expense of repairing the Signage, or if the Signage cannot be repaired, then Lessee shall be responsible for replacing the Signage. Lessee agrees to give Lessor prompt notice if the Signage or any part of the Signage is damaged, lost or destroyed.

7. **Indemnity/Insurance**. Lessee hereby agrees to defend, indemnify and save harmless Lessor and Lessor's assignee or secured party, if any, from all claims, expenses (including reasonable attorneys' fees), damages and liabilities arising out of or pertaining to Lessee's possession of the Signage or by reason of any default in the performance of any obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall not be responsible under the terms of this Section 7 for any claims, costs, expenses, damages or liabilities caused solely by the gross negligence or willful misconduct of Lessor. The indemnities and covenants contained herein shall survive termination of this Agreement.

Lessee will obtain an insurance policy or policies (i) that protects Lessee and Lessor against risks such as flood, fire, vandalism and other perils typically covered by a standard fire and extended coverage property insurance policy, (ii) covers the Signage in an amount not less than the signage cost referenced on Exhibit A ("**Signage Cost**") and (iii) names Lessor as loss payee under such insurance. Lessee shall deliver to Lessor certificates of insurance evidencing the same.

8. **Use, Location**. Lessee shall be entitled to full-time use of the Signage solely at the Retail Business. Lessee shall provide proper care for the Signage and shall at all times use the Signage strictly in accordance with all applicable laws, ordinances and regulations.

9. **Maintenance and Repairs**. Lessee shall, during the term of this Agreement, at its expense, keep the Signage in good working condition and protect the Signage from deterioration.

10. **Enforcement of Warranty**. LESSOR MAKES NO EXPRESS OR IMPLIED WARRANTIES AS TO ANY MATTER WHATSOEVER, INCLUDING THE CONDITION, QUALITY, DURABILITY OR SUITABILITY OF THE SIGNAGE, OR THE MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE SIGNAGE. LESSEE ACKNOWLEDGES THAT LESSOR DOES NOT MANUFACTURE THE SIGNAGE AND HAS NOT INSPECTED THE SIGNAGE PRIOR TO DELIVERY TO LESSEE.

On written request from Lessee, at Lessee's sole cost, Lessor shall take all reasonable action requested by Lessee to enforce any manufacturer's warranty, express or implied, relating to the condition or performance of the Signage which is enforceable by Lessor in its own name; provided, however, that Lessor shall not be obligated to resort to litigation to enforce any such warranty unless Lessee shall pay all expenses in connection therewith. If any such warranty is enforceable in Lessee's name, Lessee shall take all reasonable action at its sole expense to enforce any such warranty.

11. **Transportation, Installation and Return of the Signage**. All transportation and other charges for delivery and installation of the Signage at Lessee's premises shall be paid by Lessee. If a pole is required, the pole and the costs of the foundation for the pole, including installation, shall be paid by Lessee. Transportation charges for the pole shall be paid by Lessee. On the expiration or termination of the Franchise Agreement, Lessee, at its own risk and expense, will immediately return the Signage to Lessor or, at Lessor's option, Lessor may retrieve the Signage and charge Lessee for all transportation and other charges for removal of the Signage and delivery of the Signage to a location designated by Lessor.

12. **Events of Default and Remedies**. If (a) Lessee shall default (i) in the payment of any lease payments or other monies due under this Agreement and fail to make such payment within 30 days after receipt from Lessor of written notice to Lessee of said default, or (ii) in performing any of the material terms or provisions of this Agreement and shall fail to cure such default within 30 days after receipt from Lessor of written notice to Lessee of said default; (b) there is a filing of tax or other liens that may affect this Agreement or the Franchise Agreement; (c) there is a voluntary or involuntary bankruptcy by or against Lessee or any of Lessee's owners; (d) Lessee's insolvency; (e) Lessee makes an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets of Lessee for the benefit of creditors; or (f) if the Franchise Agreement between Lessor and Lessee is terminated or expires then, and in any of said events (herein called "**Events of Default**"), Lessor shall have the right to do any one or more of the following, without notice, liability or legal process, (in addition to any and all other rights and remedies provided in this Agreement or by applicable law): (x) to terminate this Agreement and to take possession of and remove any or all of the Signage, wherever situated, and for such purpose, to enter upon any premises for so doing; (y) whether or not this Agreement is terminated or not, to take possession of and remove any or all of the Signage, wherever situated, and for such purpose, to enter upon any premises for so doing; and (z) to sell, dispose of, hold, use or release any or all of the Signage, as Lessor in its sole discretion may decide.

Upon termination of this Agreement due to events stated in Section 12, any other default by Lessee or in the event of the termination of the Franchise Agreement, Lessee shall be liable to Lessor for any unpaid Weekly Lease Payments at the time of termination.

13. **Miscellaneous Provisions**. The Signage shall remain the personal property of Lessor at all times during the term of this Agreement and any time after termination of this Agreement or renewal of this Agreement. The Signage shall not become a part of any real estate, whether as a fixture or otherwise. Upon request, Lessee shall execute financing statements to evidence Lessor's interest and the interest of any assignee or secured party of Lessor in the Signage and the lease payments or, at Lessor's option, Lessee authorizes Lessor and its assignees to file financing statements (signed only by Lessor or its assignees where allowed by law). Lessor and its assignees may file financing statements as provided under this Agreement in all places where Lessor or its assignees deem it necessary or desirable to protect its or their interest in and to the Signage.

This Agreement shall constitute the entire agreement between Lessor and Lessee relating to the lease of the Signage. No waiver, consent, modification or change of terms of this Agreement shall bind either party, including Lessor's secured party, unless in writing and signed by an officer of both Lessor and Lessee and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given.

All notices will be addressed to the parties at the addresses set forth in the heading of this Agreement or to such other address as any party may notify the other parties of in a writing delivered in accordance with this Section. Additionally, all notices mailed to Lessee at the address of the Signage shall be deemed sufficient. Any notice required or permitted to be given under this Agreement will be deemed given: (i) when delivered personally to the party to receive such notice, if a natural person, or to an officer of any party which is a corporation or limited liability company or to any member or partner as the case may be of any party which is a partnership; (ii) 5 days after mailing by express courier service, fully prepaid, addressed as provided in this Agreement, or upon actual receipt of such mailing, whichever will first occur; or (iii) upon receipt of confirmation from the addressee acknowledging receipt of such notice if by e-mail, facsimile or other electronic transmission service (provided that in the case of notice delivered in accordance with this clause (iii), a copy of the notice is also simultaneously sent in accordance with clause (ii) above).

This Agreement may be executed in any number of counterparts, each of which shall be but one and the same instrument.

The remedies herein granted to Lessor shall not be exclusive or mutually exclusive, and Lessor shall have such other and additional remedies against Lessee as may be permitted in law or in equity at any time. Any exercise of a right of termination by Lessor shall not be construed to eliminate or discharge any right of Lessor to damages on account of any default of Lessee.

In the event any provision of this Agreement is held by any court having jurisdiction over any dispute arising hereunder to be invalid or unenforceable, then (a) such court shall reinterpret such provision so as to carry out the intent of the parties hereto in a valid and enforceable manner, and (b) the invalidity or unenforceability of such provision within the jurisdiction of such court shall not affect the validity or enforceability of such provision in any other jurisdiction and the remainder of this Agreement shall remain in full force and effect. However, in the event that any material term of this Agreement shall be stricken or declared invalid, Lessor reserves the right to terminate this Agreement at its sole option.

THIS AGREEMENT HAS BEEN DELIVERED AND ACCEPTED AND SHALL BE DEEMED TO HAVE BEEN MADE AT ORLANDO, FLORIDA. THE TERMS AND PROVISIONS OF THIS AGREEMENT SHALL BE INTERPRETED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF FLORIDA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. AS A SPECIFICALLY BARGAINED INDUCEMENT FOR LESSOR TO ENTER INTO THIS AGREEMENT, LESSEE AGREES THAT ANY ACTION, SUIT OR PROCEEDING IN A COURT OF LAW IN RESPECT OF OR ARISING OUT OF THIS AGREEMENT, ITS VALIDITY OR PERFORMANCE, WITHOUT LIMITATION ON THE ABILITY OF LESSOR, ITS SUCCESSORS AND ASSIGNS, TO EXERCISE ALL RIGHTS (INCLUDING THOSE WHICH CAN BE EXERCISED IN A COURT OF LAW) AS TO THE POSSESSION OF OR EXECUTION OR FORECLOSURE ON THE SIGNAGE AND IN ANY APPLICABLE JURISDICTION WHERE THE SIGNAGE IS LOCATED, SHALL BE INITIATED AND PROSECUTED AS TO ALL PARTIES AND THEIR SUCCESSORS AND ASSIGNS IN ORLANDO, FLORIDA, UNLESS JURISDICTION CANNOT BE OBTAINED OVER ANY PARTY WHO IS A “NECESSARY PARTY” UNDER APPLICABLE RULES OF CIVIL PROCEDURE IN ORLANDO, FLORIDA. LESSEE CONSENTS TO AND SUBMITS TO THE EXERCISE OF JURISDICTION OVER ITS PERSON BY ANY COURT SITUATED IN ORLANDO, FLORIDA HAVING JURISDICTION OVER THE SUBJECT MATTER. LESSEE WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS, AND ANY OBJECTION TO VENUE OF ANY ACTION, SUIT OR PROCEEDING INSTITUTED HEREUNDER.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the Effective Date.

WITNESSES:	LESSOR:
	BHF Franchising, LLC
______________________________	
	By: ______________________________
______________________________	Name: ______________________________
	Title: ______________________________

WITNESSES:	LESSEE:
	[______________________]
______________________________	
	By: ______________________________
______________________________	Name: ______________________________
	Title: ______________________________

EXHIBIT A

TO SIGNAGE LEASE

WEEKLY LEASE PAYMENT: ______________________________

LOCATION OF SIGNAGE: ______________________________

SIGNAGE IDENTIFICATION: ______________________________

SIGNAGE COST: ______________________________

EXHIBIT G

Prospective Franchisee Confidentiality Agreement

The undersigned ("you") are interested in obtaining information about the BUDDY'S HOME FURNISHINGS franchise program.

In order for you to better understand our franchise system, BHF Franchising, LLC ("we") may share with you confidential plans, materials, methods, techniques, processes, records, business plans, market research, supplier data, customer data, financial analysis, pricing information and other information, including electronically stored information (collectively, "Proprietary Information"). It is important that we maintain the confidentiality of our Proprietary Information.

Thus, you agree to the following conditions regarding our disclosure of Proprietary Information to you:

1) You agree to maintain as confidential the Proprietary Information and not to copy or try to duplicate our Proprietary Information;

2) You agree not to use the Proprietary Information in any manner or for any purpose other than pursuant to a written agreement with us;

3) You agree not to disclose or disseminate the Proprietary Information to anyone without our prior written approval;

4) You agree not to reproduce any of the Proprietary Information and to return to us all Proprietary Information received by you immediately upon our request;

We agree that Proprietary Information does not include information: a) which is known to you at the time of disclosure as demonstrated by your files and records; b) becomes known to you from another source without confidentiality restrictions; or c) is or becomes part of the public domain through no act or omission by you.

Use, exploitation, disclosure or dissemination of the Proprietary Information in breach of this Agreement shall be deemed to cause us irreparable harm for which monetary damages are not ad adequate remedy, and we will be entitled to specific performance, injunctive relief or other equitable relief in addition to any other remedy we may have at law or in equity.

Accepted and agreed to this __ day of _________, 20___.

____

By: ____
Its: ____

EXHIBIT H

Franchisee Acknowledgment

ACKNOWLEDGMENT TO
BUDDY'S HOME FURNISHINGS® FRANCHISE AGREEMENT

THIS ACKNOWLEDGMENT SHALL NOT BE COMPLETED BY YOU, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THE FRANCHISE IS SUBJECT TO THE STATE FRANCHISE DISCLOSURE LAWS OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN. IF THE FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, CALIFORNIA, MARYLAND OR WASHINGTON, DO NOT SIGN THIS ACKNOWLEDGMENT.

* * *

As you know, you and we are entering into a Franchise Agreement for the operation of a BUDDY'S HOME FURNISHINGS franchise. The purpose of this Acknowledgment is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations*.

1. Did you receive a copy of our Franchise Disclosure Document (and all exhibits and attachments) at least 14 calendar days prior to signing the Franchise Agreement? Check one: () Yes () No. If no, please comment: ____

2. Have you studied and reviewed carefully our Franchise Disclosure Document and Franchise Agreement? Check one: () Yes () No. If no, please comment:______________________________
____

3. Did you understand all the information contained in both the Franchise Disclosure Document and Franchise Agreement? Check one () Yes () No. If no, please comment: ____________________
____

4. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Franchise Disclosure Document? Check one: () No () Yes. If yes, please state in detail the oral, written or visual claim or representation: _________________________________
____
____

5. Except as stated in Item 19 of our Franchise Disclosure Document, did any employee or other person speaking on behalf of BHF Franchising, LLC make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, earnings, income or profit levels at any BUDDY'S HOME FURNISHINGS location or business, or the likelihood of success at your franchised business? Check one: () No () Yes. If yes, please state in detail the oral, written or visual claim or representation: ___________________
____

6. Except as stated in Item 19 of our Franchise Disclosure Document, did any employee or other person speaking on behalf of BHF Franchising, LLC make any statement or promise regarding the costs involved in operating a franchise or that is contrary to, or different from, the information

contained in the Franchise Disclosure Document. Check one: (__) Yes (__) No. If yes, please comment:____

7. Do you understand that the Franchise Agreement (and the representations in the Franchise Disclosure Document) constitute the entire agreement between you and us concerning the franchise for the Business, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding? Check one: (__) Yes (__) No. If no, please comment: _______
____

8. Do you understand that the success or failure of your Business will depend in large part upon your skills and experience, your business acumen, your location, the local market for products under the BUDDY'S HOME FURNISHINGS trademarks, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your Business may change? Check one (__) Yes (__) No. If no, please comment: ____
____

9. Do you understand that you are bound by the non-compete covenants (both in-term and post-term) in Sections 8(h), 8(i), and 8(j) of the Franchise Agreement and, if applicable, in Section 8 of the Development Agreement and that an injunction is an appropriate remedy to protect the interests of the BUDDY'S HOME FURNISHINGS system if you violate the covenant(s)? (__) Yes (__) No. If no, please comment: ____
____
____

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ACKNOWLEDGMENT, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

[Signature Page Follows]

Signed: ______________________________

Print Name: ______________________________

Date: ______________________________

Signed: ______________________________

Print Name: ______________________________

Date: ______________________________

Signed: ______________________________

Print Name: ______________________________

Date: ______________________________

APPROVED ON BEHALF OF
BHF FRANCHISING, LLC

Signed: ______________________________

Print Name: ______________________________

Date: ______________________________

EXHIBIT I

Table of Contents of Operations Manual

TABLE OF CONTENTS

Exhibit J

Sample Release

SAMPLE RELEASE OF CLAIMS

THIS IS A CURRENT FORM THAT IS SUBJECT TO CHANGE OVER TIME.

For and in consideration of the Agreements and covenants described below, BHF Franchising, LLC ("Franchisor") and ________________________ ("Franchisee") enter into this Release of Claims ("Agreement").

RECITALS

A. Franchisor and Franchisee entered into BUDDY'S HOME FURNISHINGS Franchise Agreement dated ________________.

B. [NOTE: Described the circumstances relating to the release.].

C. Subject to and as addressed with greater specificity in the terms and conditions set forth below, Franchisor and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

AGREEMENT

1. **Consideration.** [NOTE: Describe the consideration paid.]

2-3. [NOTE: Detail other terms and conditions of the release.]

4. R**elease of Claims by Franchisor.** In consideration of, and only upon full payment of $_________ to Franchisor, and the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisor, for itself and for each of its affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of its past and present directors, officers, employees, attorneys, agents, assigns and representatives does hereby release and forever discharge Franchisee and each of his heirs, executors, successors, and assigns of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney's fees), complaints, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, disclosed or undisclosed, related to the Franchise Agreement. This release does not release Franchisee from any obligations he may have under this Agreement.

5. **Release of Claims by Franchisee**. In consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisee, for himself and for each of his heirs, executors, administrators, insurers, attorneys, agents, representatives, successors, and assigns, does hereby release and forever discharge Franchisor and each of its respective affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of their past and present directors, officers, employees, attorneys, agents, assigns and representatives in their capacities as such, of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney's fees but excluding claims under the Maryland Franchise Registration and Disclosure Law), complaints, charges, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, related to the Franchise Agreement.

6. **Reservation of Claims Against Non-Settling Parties.** Franchisor and Franchisee expressly reserve their right and claims against any non-settling persons, firms, corporations, or other entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

7. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

8. **Voluntary Nature of Agreement.** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept the terms.

9. **Governing Law and Jurisdiction.** This Agreement will be construed and enforced in accordance with the law of the state of _______________.

10. **Claims Under Washington Franchise Investment Protection Act.** This Release of Claims shall not apply to any claims arising under the Washington Franchise Protection Act, RCW 19.100, and the rules adopted thereunder.

11. **Attorneys' Fees.** All rights and remedies under this Agreement shall be cumulative and none shall exclude any other right or remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorneys' fees and costs incurred by reason of the breach.

Dated: ____________, 20__

FRANCHISOR:
BHF FRANCHISING, LLC

By ______________________________
Its ____________________________

Dated: ____________, 20__

FRANCHISEE:

____

By ______________________________

EXHIBIT K

Current and Former Franchisees

Franchisees as of December 31, 2025

The following is a list of franchisees and their franchised Buddy’s Home Furnishings retail businesses as of December 31, 2025:

Franchisee Name	Store Address	City	State	Zip Code	Telephone Number
bb BHF Stores LLC	9260 Hwy 119	Alabaster	AL	35007	205-620-9292
MW Management, Inc.	600 S Jefferson Street, Suite M	Athens	AL	35611	256-206-9505
bb BHF Stores LLC	106 River Square Plaza, Suite 2	Bessemer	AL	35023	205-491-1632
bb BHF Stores LLC	1644 2nd Ave SW	Cullman	AL	35055	256-736-5959
bb BHF Stores LLC	924 Beltline Road	Decatur	AL	35602	256-341-5908
The Fort Companies, LLC	1220B South McKenzie Street	Foley	AL	36535	251-215-4949
bb BHF Stores LLC	2511 W Meighan Blvd	Gadsden	AL	35904	256-543-2322
MW Management, Inc.	2005 Jordan Lane	Huntsville	AL	35816	256-427-4574
bb BHF Stores LLC	800 Hwy 78	Jasper	AL	35501	205-295-9292
bb BHF Stores LLC	1725 Asheville Rd Unit 101	Leeds	AL	35094	659-223-4623
bb BHF Stores LLC	3734 Pepperell Pkwy	Opelika	AL	36801	334-705-6760
bb BHF Stores LLC	43 Elm Street	Oxford	AL	36203	256-733-6448
bb BHF Stores LLC	26 North Broadway Ave.	Sylacauga	AL	35150	256-570 5115
Magnolia Furniture, Inc.	7381 Theodore Dawes Rd	Theodore	AL	36582	251-459-7148
bb BHF Stores LLC	2263 N Washington St	Forrest City	AR	72335	870-633-6002

Franchisee Name	Store Address	City	State	Zip Code	Telephone Number
Pentex Franchises, LLC	834 S Alma School Rd #2	Mesa	AZ	85210	480-739-2166
Pentex Franchises, LLC	10410 N 35th Ave, Suite 108	Phoenix	AZ	85051	480-739-2170
RKR Ventures LLC	701 Mike's Pike St Ste B	Winslow	AZ	86047	928-289-6782
TPGBHF, LLC	2757 SE Hwy 70	Arcadia	FL	34266	863-491-2251
TPGBHF, LLC	932 FL- 436	Casselberry	Fl	32707	321-972-2929
TPGBHF, LLC	821 N. Nova Rd.	Daytona Beach	Fl	32117	386-255-2988
TPGBHF, LLC	519 Hwy 17/92 W	Haines City	FL	33844	863-421-2281
Baland Partners LLC	585 West 49th Street	Hialeah	FL	33012	786-396-1421
BUDDY'S 1, TAFT LLC	6631 Taft St	Hollywood	FL	33024	954-342-6698
bb BHF Stores LLC	8807 Lem Turner	Jacksonville	FL	32208	904-766-2183
bb BHF Stores LLC	8595 Beach Blvd Ste 321	Jacksonville	FL	32216	904-642-3141
bb BHF Stores LLC	5201 Norwood Ave	Jacksonville	FL	32208	904-652-0100
bb BHF Stores LLC	7200 Normandy Blvd STE 4	Jacksonville	FL	32205	904-652-0280
bb BHF Stores LLC	5276 Blanding Blvd. Suite 2	Jacksonville	FL	32210	904-317-5208
bb BHF Stores LLC	1990 SR 44	New Smyrna	FL	32168	386-426-2226
BUDDY'S 1, TAFT LLC	2901 W Oakland Pk Blvd, Suite 7	Oakland Park	FL	33311	954-777-9277
bb BHF Stores LLC	868 Blanding Blvd, Suite 120-121	Orange Park	FL	32065	904-621-0020

Franchisee Name	Store Address	City	State	Zip Code	Telephone Number
bb BHF Stores LLC	919 S Hwy 19	Palatka	FL	32177	386-329-1190
bb BHF Stores LLC	1467 Capital Circle NW	Tallahassee	FL	32303	850-765-1008
TPGBHF, LLC	304 North 6th Avenue	Wauchula	FL	33873	863-448-9040
Kamerade Group, LLC	105 West 1st Street	Adel	GA	31620	229-896-2050
TryBudCoLLC	2401 North Slappey Blvd	Albany	GA	31701	229-355-2005
A-Team Leasing, LLC	138 Market Sq	Cartersville	GA	30120	770-607-8443
A-Team Leasing, LLC	1190 West Ave SW	Conyers	GA	30012	770-929-8443
Pierce RTO Enterprises, LLC	3193 North Elm Street	Covington	GA	30014	470-205-1901
A-Team Leasing, LLC	3570 Memorial Dr Suite 101	Decatur	GA	30032	404-288-3480
A-Team Leasing, LLC	7003 North Concourse Parkway Ste 1	Douglasville	GA	30134	770-577-0772
Pierce RTO Enterprises, LLC	512-B North Jefferson Street	Dublin	GA	31021	478-274-1818
A-Team Leasing, LLC	130 John W Morrow Jr Pkwy Ste H	Gainesville	GA	30501	770-718-9992
A-Team Leasing, LLC	1661 North Expressway Suite A	Griffin	GA	30223	770-227-8600
TryBudCoLLC	900 Hogansville Road, Suite K	LaGrange	GA	30241	706-883-5088
A-Team Leasing, LLC	250 Grayson Hwy Suite H	Lawrenceville	GA	30046	770-962-1660
TryBudCoLLC	892 Pierce Ave	Macon	GA	31204	478-200-2246
Pierce RTO Enterprises, LLC	780 West Spring Street	Monroe	GA	30655	770-829-0955

Franchisee Name	Store Address	City	State	Zip Code	Telephone Number
bb BHF Stores LLC	31st St NW	Moultrie	GA	31768	229-985-5005
Kamerade Group, LLC	310 S Davis Street	Nashville	GA	31639	229-686-7953
A-Team Leasing, LLC	1045 Bullsboro Dr. Suite D	Newnan	GA	30265	770-252-9800
WRCT Investments, LLC	11 Coach Lee Hill Blvd	Statesboro	GA	30458	912-764-6868
A-Team Leasing, LLC	5529 N Henry Blvd	Stockbridge	GA	30281	770-506-7100
WRCT Investments, LLC	101 W. Moring Street	Swainsboro	GA	30401	478-289-8487
Kamerade Group, LLC	15082 US Hwy 19 S	Thomasville	GA	31757	229-228-0925
Kamerade Group, LLC	216 E US Hwy 82	Tifton	GA	31794	229-387-9900
bb BHF Stores LLC	2019 Marion Street	Valdosta	GA	31602	229-241-1122
TryBudCoLLC	1825 Watson Blvd	Warner Robins	GA	31094	478-217-9988
Pauhana Associates Limited	655 Harmon Loop Road	Dededo	GUAM	96929	671-588-5858
Pauhana Associates Limited	124 Jesus Mariano St. Suite 103	Mangilao	GUAM	96913	671-969-6699
bb BHF Stores LLC	1710 E 10th Street; Suite 3	Jeffersonville	IN	47130	812-284-6878
Altitude RTO Holdings Inc.	3714 South Reed Road	Kokomo	IN	46902	765-553-6327
bb BHF Stores LLC	3942 7th Street Rd	Louisville	KY	40216	502-449-6096
bb BHF Stores LLC	5717 Preston Hwy	Louisville	KY	40219	502-968-2982
bb BHF Stores LLC	250 Segler Drive	Oak Grove	KY	42262	270-640-6417

Franchisee Name	Store Address	City	State	Zip Code	Telephone Number
bb BHF Stores LLC	1800 Louisville Ave	Monroe	LA	71201	318-699-8405
bb BHF Stores LLC	1002 E Peace Street	Canton	MS	39046	601-859-4176
bb BHF Stores LLC	1009 South State St	Clarksdale	MS	38614	662-627-1131
bb BHF Stores LLC	1831 Hwy 45 North	Columbus	MS	39701	662-570-1147
bb BHF Stores LLC	1001 Hwy 82 East	Indianola	MS	38751	662-887-5877
bb BHF Stores LLC	106 A South Applegate St	Winona	MS	38967	662-283-4388
bb BHF Stores LLC	764 E Fifteenth St.	Yazoo City	MS	39194	662-746-2573
MTM Ventures, LLC	1116 Patton Avenue	Asheville	NC	28806	828-257-8383
bb BHF Stores LLC	1703 N. Church St.	Burlington	NC	27217	336-228-8668
WRCT Investments, LLC	201 N. Berkley Blvd Suite 203	Goldsboro	NC	27534	919-778-0275
bb BHF Stores LLC	3729 W. Gate City Blvd.	Greensboro	NC	27407	336-937-8027
bb BHF Stores LLC	2400 S. Memorial Drive Suite 10	Greenville	NC	27834	252-215-3051
bb BHF Stores LLC	120 Raleigh Road	Henderson	NC	27536	252-430-6179
bb BHF Stores LLC	1206 W. Vernon Ave.	Kinston	NC	28501	252-208-1855
Hodge RTO Group Inc.	1987 Cotton Grove Road	Lexington	NC	27292	336-300-7342
MTM Ventures, LLC	1116 E Main Street	Lincolnton	NC	28092	704-735-5380
bb BHF Stores LLC	1619 Cross Link Rd. Suite 106	Raleigh	NC	27610	919-832-0153

Franchisee Name	Store Address	City	State	Zip Code	Telephone Number
KAPPA Investments LLC	349 South Madison Blvd.	Roxboro	NC	27573	336-439-1060
Hodge RTO Group Inc.	2100 Dalrymple Street	Sanford	NC	27330	919-842-5301
MTM Ventures, LLC	306 W Dixon Blvd	Shelby	NC	28152	704-482-5185
WRCT Investments, LLC	1925 Oleander Drive, Suites B, C, & D	Wilmington	NC	28403	910-338-1348
bb BHF Stores LLC	1201 Ward Blvd; Suite D	Wilson	NC	27893	252-237-0439
Buddy West LLC	711 N. Rancho Dr #100	Las Vegas	NV	89106	725-500-5569
Buddy West LLC	2235 E Cheyenne Ave, Suite 110	North Las Vegas	NV	89030	725-277-8915
Pentex Franchises, LLC	461 N Enola Rd (Summerdale Plaza)	Enola	PA	17025	717-635-8162
Pentex Franchises, LLC	1000 Carlisle St Suite 1125	Hanover	PA	17331	717-698-3636
Pentex Franchises, LLC	400 Kenhorst Plaza	Reading	PA	19607	610-777-2472
Pentex Franchises, LLC	1236 Greensprings Drive	York	PA	17402	717-885-5657
Pentex Franchises, LLC	2150 White St (Carlisle Commerce Center)	York	PA	17404	717-885-5071
MTM Ventures, LLC	937 Hwy 29 South	Anderson	SC	29626	864-226-7700
bb BHF Stores LLC	2419 Broad River Road	Columbia	SC	29210	803-772-9062
bb BHF Stores LLC	3810 Two Notch Road; Suite C	Columbia	SC	29204	803-754-2220
bb BHF Stores LLC	1358 South Irby Street Suite A & B	Florence	SC	29505	843-317-1808
MTM Ventures, LLC	6134 White Horse Road Suite D	Greenville	SC	29611	864-269-7032

Franchisee Name	Store Address	City	State	Zip Code	Telephone Number
MTM Ventures, LLC	718 Bypass 25 NE; Suite B	Greenwood	SC	29646	864-953-2195
bb BHF Stores LLC	253 N. Ron McNair Blvd	Lake City	SC	29560	843-394-0805
bb BHF Stores LLC	110 Bi-Lo Drive; Suite A	Moncks Corner	SC	29461	843-237-4600
bb BHF Stores LLC	1361 Chestnut Street, Unit B	Orangeburg	SC	29115	803-534-1101
MTM Ventures, LLC	120 Garner Road Suite A	Spartanburg	SC	29303	864-582-2201
bb BHF Stores LLC	975 Bacons Bridge Road	Summerville	SC	29485	843-486-1562
bb BHF Stores LLC	6025 E. Brainerd Road; Suite 106	Chattanooga	TN	37421	423-499-2453
bb BHF Stores LLC	4355 Keith St. NW	Cleveland	TN	37312	423-476-0043
bb BHF Stores LLC	768 S. Jefferson Ave., Suite E	Cookeville	TN	38501	931-528-9158
bb BHF Stores LLC	319 North Cumberland Street	Lebanon	TN	37087	615-449-3505
bb BHF Stores LLC	1218 NW Broad Street	Murfreesboro	TN	37129	615-494-3950
Kamerade Group, LLC	9358 Dayton Pike; #112	Soddy-Daisy	TN	37379	423-332-5712
Pentex Franchises, LLC	1211 E. Frontage Road US 83	Alamo	TX	78516	956-688-8954
Pentex Franchises, LLC	220 Crestway Dr, Suite 100	Athens	TX	75751	430-502-6191
Pentex Franchises, LLC	2508 E Riverside DR	Austin	TX	78741	512-782-9071
Pentex Franchises, LLC	7517 Cameron Rd, Suite 103	Austin	TX	78752	512-382-5502
Pentex Franchises, LLC	2400 Garth Road	Baytown	TX	77520	281-422-0143

Franchisee Name	Store Address	City	State	Zip Code	Telephone Number
Pentex Franchises, LLC	115 Eastgate Plaza, Suite 01C	Bellmead	TX	76704	254-867-8148
Pentex Franchises, LLC	1801 E FM 700-C6	Big Spring	TX	79720	432-219-6105
Pentex Franchises, LLC	1601 E. Price Rd. Suite. 1627-A	Brownsville	TX	78521	956-525-4544
Pentex Franchises, LLC	114-A Truly Plaza	Cleveland	TX	77327	281-592-8200
Pentex Franchises, LLC	1029 Plantation Drive	Clute	TX	77531	979-388-0337
Pentex Franchises, LLC	309 E US Hwy 190	Copperas Cove	TX	76522	254-238-7329
Pentex Franchises, LLC	4232 Ayers Street	Corpus Christi	TX	78415	361-814-8224
Matador RTO, LLC	503 E 6th Street	Del Rio	TX	78840	830-775-5804
Pentex Franchises, LLC	3621 N Closner Blvd	Edinburg	TX	78541	956-289-1997
Pentex Franchises, LLC	700 N Zaragoza Rd; Suite A2 & A3	EL PASO	TX	79907	915-701-2272
Pentex Franchises, LLC	9308 Dyer Road; Suite B	EL PASO	TX	79924	915-701-2273
Pentex Franchises, LLC	1470 N Fabens St.	FABENS	TX	79838	915-701-2271
Pentex Franchises, LLC	2013 W Lincoln St.	Harlingen	TX	78552	956-622-7381
Pentex Franchises, LLC	414 West Little York Rd., Suite 414	Houston	TX	77076	281-447-5236
Pentex Franchises, LLC	1524 11Th Street; Suite F	Huntsville	TX	77340	936-291-1819
Pentex Franchises, LLC	801 E Rancier Ave	Killeen	TX	76541	254-526-2110
Pentex Franchises, LLC	830 S. Fort Hood St.	Killeen	TX	76541	254-634-0961

Franchisee Name	Store Address	City	State	Zip Code	Telephone Number
Pentex Franchises, LLC	301 West Calton	Laredo	TX	78041	956-242-6719
Pentex Franchises, LLC	2314 S Zapata Hwy	Laredo	TX	78046	956-205-0724
Pentex Franchises, LLC	3004 N Main Street	Liberty	TX	77575	936-336-1234
Pentex Franchises, LLC	1004 N Ware Rd OFC	McAllen	TX	78501	956-255-5979
Pentex Franchises, LLC	2030 Crockett Road	Palestine	TX	75801	903-731-7007
Pentex Franchises, LLC	116 W Southmore Avenue	Pasadena	TX	77502	713-475-5057
Pentex Franchises, LLC	1300 S Cage Blvd	Pharr	TX	78577	956-238-4097
Pentex Franchises, LLC	1177 W Oaklawn; Suite D	Pleasanton	TX	78064	830-569-8803
Pentex Franchises, LLC	4031 E US Highway 83	Rio Grande	TX	78582	956-391-1296
Pentex Franchises, LLC	359 West Avenue J	Robstown	TX	78380	361-387-2186
Pentex Franchises, LLC	2534 Avenue H	Rosenburg	TX	77471	281-232-0103
Pentex Franchises, LLC	110 W. Palm Valley Blvd, Suite 120	Round Rock	TX	78664	512 814 0332
Pentex Franchises, LLC	6812 Huebner Road	San Antonio	TX	78238	210-681-7292
Pentex Franchises, LLC	12016 Perrin Beitel Rd	San Antonio	TX	78217	210-655-2899
Pentex Franchises, LLC	6818 S Zarzamora St., Suite 105	San Antonio	TX	78224	210-390-0082
Pentex Franchises, LLC	4419 W Commerce Street	San Antonio	TX	78237	210-390-0139
Pentex Franchises, LLC	1427 SW Military Dr.	San Antonio	TX	78221	210-390-0077

Franchisee Name	Store Address	City	State	Zip Code	Telephone Number
Pentex Franchises, LLC	1872 S WW White Rd.	San Antonio	TX	78220	210-774-4290
Pentex Franchises, LLC	1145 Ross Rd Suite D	San Benito	TX	78586	956-622-4094
Pentex Franchises, LLC	108 State Hwy 495	San Juan	TX	78589	956-688-8957
Pentex Franchises, LLC	1023 Hwy 80 #113	San Marcos	TX	78666	512-392-5950
Pentex Franchises, LLC	490 S State Hwy, Bypass 123, Suite 488	Seguin	TX	78155	830-379-1772
Pentex Franchises, LLC	309 NE Georgia Ave Suite 190	SweetWater	TX	79556	325-933-2536
Pentex Franchises, LLC	2603 Thorton Lane; Suite 150	Temple	TX	76502	254-778-8002
Matador RTO, LLC	602 E Main Street	Uvalde	TX	78801	830-278-3990
Pentex Franchises, LLC	928 N Valley Mills Drive	Waco	TX	76710	254-772-8383
Pentex Franchises, LLC	1311 W Expressway 83, Suite I	Weslaco	TX	78599	956-688-8958
Hodge RTO Group Inc.	251 Washington Highway, Suite 6	Ashland	VA	23005	804-798-3082
Hodge RTO Group Inc.	1513 South Main Street	Blackstone	VA	23824	434-292-4383
KAPPA Investments LLC	2536 Virginia Avenue	Collinsville	VA	24078	276-622-5116
KAPPA Investments LLC	365 Lowes Dr; Suite H	Danville	VA	24540	434-791-3115
Hodge RTO Group Inc.	1407 South Main Street	Farmville	VA	23901	434-392-7283
MID Atlantic RTO, LLC	439 Emancipation Hwy	Fredericksburg	VA	22401	540-371-1062
KAPPA Investments LLC	1790 E Market Street; Suite 10-14	Harrisonburg	VA	22801	540-705-0461

Franchisee Name	Store Address	City	State	Zip Code	Telephone Number
Hodge RTO Group Inc.	40 Old Fair Gounds Way	Kilmarnock	VA	22482	804-577-4171
KAPPA Investments LLC	2819 Candlers Mountain Rd	Lynchburg	VA	24502	434-333-7216
KAPPA Investments LLC	2323 Memorial Ave, Suite 4	Lynchburg	VA	24501	434-845-1913
bb BHF Stores LLC	4994 Mercury Blvd; Suite A	Newport News	VA	23605	757-262-0854
bb BHF Stores LLC	1782 E. Little Creek Rd.	Norfolk	VA	23518	757-587-5973
bb BHF Stores LLC	4832 George Washington Hwy	Portsmouth	VA	23702	757-487-1352
bb BHF Stores LLC	3099 Mechanicsville Turnpike	Richmond	VA	23223	804-494-8074
KAPPA Investments LLC	3506 Williamson Road NW	Roanoke	VA	24012	540-904-6633
Hodge RTO Group Inc.	1280 Smithfield Plaza Court	Smithfield	VA	23430	757-357-9787
Hodge RTO Group Inc.	717 East Atlantic Street	South Hill	VA	23970	434-447-3900
MID Atlantic RTO, LLC	1636 Tappahannock Blvd	Tappahannock	VA	22560	804-445-2474
Pentex Franchises, LLC	252 East Main St	Auburn	WA	98002	253-833-7800
Pentex Franchises, LLC	1405 S Gold	Centralia	WA	98531	360-736-0550
Pentex Franchises, LLC	2911 W Kennewick Ave	Kennewick	WA	99336	509-735-9500
Pentex Franchises, LLC	11007 Bridgeport Way SW	Lakewood	WA	98499	253-584-0824
Pentex Franchises, LLC	840 Ocean Beach Hwy., Suite 100	Longview	WA	98632	360-425-3410
Pentex Franchises, LLC	9228 State Ave, Suite 4	Marysville	WA	98270	360-403-0228

Franchisee Name	Store Address	City	State	Zip Code	Telephone Number
Pentex Franchises, LLC	1141 S Pioneer Way	Moses Lake	WA	98837	509-766-6460
Pentex Franchises, LLC	3664 Pacific Ave SE	Olympia	WA	98501	360-459-0707
Pentex Franchises, LLC	15003 Meridian East	Puyallup	WA	98375	253-848-6644
J & M Franchising, LLC	221-B Suite 108-NE 104th Avenue	Vancouver	WA	98664	360-954-1094
Pentex Franchises, LLC	239 N Wenatchee Ave	Wenatchee	WA	98801	509-663-5580
Pentex Franchises, LLC	24 So First Street	Yakima	WA	98901	509-457-0500

***all franchisees above are developers, except for a franchisee located in Winslow AZ.**

Franchisees Who Were Terminated, Canceled, Not Renewed, or Otherwise Voluntarily or Involuntarily Ceased To Do Business Under the Franchise Agreement During 2025:

The following franchised Buddy's Home Furnishings retail businesses were terminated or closed between December 29, 2024 and December 31, 2025:

Former Franchisee	City	State	Contact Person	Telephone Number
Magnolia Furniture, Inc.*	Mobile	AL	Barbara Wallace	251-751-8460
bb BHF Stores LLC*	Tuscaloosa	AL	Gary Bosch	415-251-3355
Buddy Mac Holdings LLC	Batesville	AR	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Clarksville	AR	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Fort Smith	AR	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Fort Smith	AR	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Fort Smith	AR	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Malvern	AR	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Mountain Home	AR	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Pocahontas	AR	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Rogers	AR	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Springdale	AR	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Trumann	AR	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Van Buren	AR	Ian MacDonald	214-906-0698

Former Franchisee	City	State	Contact Person	Telephone Number
Buddy Mac Holdings LLC	Walnut Ridge	AR	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Wynne	AR	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Bradenton	FL	Ian MacDonald	214-906-0698
TPGBHF, LLC*	Orlando	FL	Ben Pou	863-370-7317
Buddy Mac Holdings LLC	Tampa	FL	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Tampa	FL	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Tampa	FL	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Tampa	FL	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Tampa	FL	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Tarpon Springs	FL	Ian MacDonald	214-906-0698
Pierce RTO Enterprises, LLC*	Commerce	GA	Loren Pierce	404-807-6205
A-Team Leasing, LLC*	Mableton	GA	Ken Butler	770-617-8190
WRCT Investments, LLC*	Pooler	GA	Tom Carico	843-607-1812
WRCT Investments, LLC*	Vidalia	GA	Tom Carico	843-607-1812
Lively Holdings, LLC	Elgin	IL	Nancy Abuali	847-971-7291
Buddy Mac Holdings LLC	Marrion	IL	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Pittsburg	KS	Ian MacDonald	214-906-0698

Former Franchisee	City	State	Contact Person	Telephone Number
bb BHF Stores LLC*	Elizabethtown	KY	Gary Bosch	415-251-3355
bb BHF Stores LLC*	Louisville	KY	Gary Bosch	415-251-3355
bb BHF Stores LLC*	Louisville	KY	Gary Bosch	415-251-3355
bb BHF Stores LLC*	Marrero	LA	Gary Bosch	415-251-3355
Buddy Mac Holdings LLC	Caruthersville	MO	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Crystal City	MO	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Dexter	MO	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Farmington	MO	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Fredericktown	MO	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Joplin	MO	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Kennett	MO	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Park Hills	MO	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Perryville	MO	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Poplar Bluff	MO	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Potosi	MO	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Sikeston	MO	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	West Plains	MO	Ian MacDonald	214-906-0698

Former Franchisee	City	State	Contact Person	Telephone Number
Hodge RTO Group Inc.*	Asheboro	NC	William Hodge	336-653-6747
WRCT Investments, LLC*	Jacksonville	NC	Tom Carico	843-607-1812
Buddy Mac Holdings LLC	Albuquerque	NM	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Belen	NM	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Farmington	NM	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Gallup	NM	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Hobbs	NM	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Las Cruces	NM	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Los Lunas	NM	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Silver City	NM	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Ada	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Coweta	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Duncan	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Guymon	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Lawton	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	McAlester	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Moore	OK	Ian MacDonald	214-906-0698

Former Franchisee	City	State	Contact Person	Telephone Number
Buddy Mac Holdings LLC	Norman	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Poteau	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Pryor	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Sallisaw	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Seminole	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Shawnee	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Tahlequah	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Tulsa	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Wagoner	OK	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Abilene	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Amarillo	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Andrews	TX	Ian MacDonald	214-906-0698
Pentex Franchises, LLC*	Austin	TX	Patrick Greene	863-651-7871
Buddy Mac Holdings LLC	Brownfield	TX	Ian MacDonald	214-906-0698
Gator RTO LLC*	Bryan	TX	Jeremy Nowak	407-506-3580
Buddy Mac Holdings LLC	Corsicana	TX	Ian MacDonald	214-906-0698
Pentex Franchises, LLC*	Decatur	TX	Patrick Greene	863-651-7871

Former Franchisee	City	State	Contact Person	Telephone Number
Buddy Mac Holdings LLC	Duncanville	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Fort Worth	TX	Ian MacDonald	214-906-0698
Pentex Franchises, LLC*	Jacksonville	TX	Patrick Greene	863-651-7871
Buddy Mac Holdings LLC	Jasper	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Kilgore	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Lewisville	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Longview	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Lubbock	TX	Ian MacDonald	214-906-0698
Pentex Franchises, LLC*	Lytle	TX	Patrick Greene	863-651-7871
Buddy Mac Holdings LLC	Midland	TX	Ian MacDonald	214-906-0698
Pentex Franchises, LLC*	Mission	TX	Patrick Greene	863-651-7871
Buddy Mac Holdings LLC	N Richland Hills	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Nacogdoches	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Odessa	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Pampa	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Plainview	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	San Angelo	TX	Ian MacDonald	214-906-0698

Former Franchisee	City	State	Contact Person	Telephone Number
Buddy Mac Holdings LLC	Sherman	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Sulphur Springs	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Texarkana	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Tyler	TX	Ian MacDonald	214-906-0698
Buddy Mac Holdings LLC	Wichita Falls	TX	Ian MacDonald	214-906-0698
bb BHF Stores LLC*	Richmond	VA	Gary Bosch	415-251-3355
Pentex Franchises, LLC*	Renton	WA	Patrick Greene	863-651-7871
Pentex Franchises, LLC*	Tacoma	WA	Patrick Greene	863-651-7871

***the above franchisees continue to operate franchised Buddy's Home Furnishings retail businesses**

If you buy this franchise, your contact information may be disclosed to other buyers when you leave our franchise system.

EXHIBIT L

State Addenda

ADDENDUM TO
BUDDY'S HOME FURNISHINGS®
DISCLOSURE DOCUMENT FOR THE
STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, AND WISCONSIN

The following provision applies only to franchisees and franchised Buddy's Retail Businesses that are subject to the state franchise disclosure laws of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

> No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (1) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (2) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the Retail Business.

ADDENDUM TO
BUDDY'S HOME FURNISHINGS®
DISCLOSURE DOCUMENT FOR THE
STATE OF CALIFORNIA

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

2. Before the franchisor can ask you to materially modify your existing franchise agreement, Section 31125 of the California Corporations Code requires the franchisor to file a material modification application with the Department that includes a disclosure document showing the existing terms and the proposed new terms of your franchise agreement, except as provided in subdivisions (c) and (d) of that Section. Once the application is registered, the franchisor must provide you with that disclosure document with an explanation that the changes are voluntary.

3. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

4. Our website, www.buddyrents.com, has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of the website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

5. The following is added at the end of Item 3:

Neither we nor any person or franchise broker in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

6. The following is added to the "Remarks" column of the line-item entitled "Late Fee/Interest Expense" in Item 6:

The highest interest rate allowed under California law is 10% annually.

7. The following paragraphs are added at the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer, or nonrenewal of a franchise. If the Franchise Agreement or Development Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

The Franchise Agreement and Development Agreement contain a covenant not to compete which extends beyond termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

The Franchise Agreement and Development Agreement require binding arbitration. The arbitration will occur within the city where the Franchisor's headquarters is located (currently Orlando, Florida) at the time of the dispute, before a single arbitrator or panel of arbitrators with the costs being borne as provided in the Franchise Agreement. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement and Development Agreement require application of the laws of Florida. These provisions may not be enforceable under California law.

The Franchise Agreement provides for termination upon insolvency. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 et seq.).

The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of your franchise. California Corporations Code section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The Franchise Agreement and Development Agreement contain provisions shortening the statute of limitations to bring claims and requiring you to waive your right to punitive or exemplary damages against the franchisor, limiting your recovery to actual damages for any claims related to your franchise. Under California Corporations Code section 31512, these provisions are not enforceable in California for any claims you may have under the California Franchise Investment Law.

The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Under California law, an agreement between a seller and a buyer regarding the price at which the buyer can resell a product (known as vertical price-fixing or resale price maintenance) is illegal. Therefore, requirements on franchisees to sell goods or services at specific prices set by the franchisor may be unenforceable.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by the franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM TO
BUDDY’S HOME FURNISHINGS®
DISCLOSURE DOCUMENT FOR THE
STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1-44 (West 2014), the Disclosure Document for BHF Franchising, LLC for use in the State of Illinois shall be amended to include the following:

Illinois law governs the franchise agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

A Franchisee’s rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

ADDENDUM TO
BUDDY'S HOME FURNISHINGS®
DISCLOSURE DOCUMENT FOR THE
<u>STATE OF INDIANA</u>

In recognition of the requirements of the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code §§ 23-2-2.7-1 to 23-2-2.7-10, the Franchise Disclosure Document for BHF Franchising, LLC for use in the State of Indiana shall be amended as follows:

1. Item 8, "Restrictions on Sources of Products and Services," shall be amended by the addition of the following language:

> Any benefits derived as a result of a transaction with suppliers for Indiana franchisees will be kept by us as compensation for locating suppliers and negotiating prices for you.

2. Item 12, "Territory," shall be amended by the addition of the following paragraph:

> We will not compete unfairly with you within a reasonable area.

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs at the end of the Item:

> The Indiana Deceptive Franchise Practices Act requires that any release executed by a Franchisee or transferor must not include any claims arising under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act.
>
> The Indiana Deceptive Franchise Practices Act requires that Indiana law govern any cause of action which arises under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act.

4. No release language set forth in the Disclosure Document or the Franchise Agreement shall relieve us or any other person directly or indirectly form liability imposed by the laws concerning franchising of the State of Indiana.

5. Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code §§ 23-2-2.7-1 to 23-2-2.7-10, are met independently without reference to this Addendum to the Disclosure Document.

ADDENDUM TO
BUDDY'S HOME FURNISHINGS®
DISCLOSURE DOCUMENT FOR THE
STATE OF MARYLAND

The following applies to franchises and franchisees subject to Maryland statutes and regulations.

Item 17

1. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after we grant you a BUDDY'S HOME FURNISHINGS franchise.

2. Our termination of the Franchise Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.)

3. Pursuant to COMAR 02.02.0816L, the general release required as a condition of renewal and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

5. No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (1) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (2) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the Retail Business.

ADDENDUM TO
BUDDY'S HOME FURNISHINGS®
DISCLOSURE DOCUMENT FOR THE
<u>STATE OF MINNESOTA</u>

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Disclosure Document for BHF Franchising, LLC for use in the State of Minnesota is amended to include the following:

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

1. Item 13, "Trademarks," is amended by the addition of the following paragraph at the end of the Item:

   > The Minnesota Department of Commerce requires us to indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of our trademark infringes on trademark rights of the third party. We do not indemnify against the consequences of a franchisee's use of our trademark except in accordance with the requirements of the Franchise Agreement; and, as a condition to indemnification, you must: (i) provide prompt notice to us of any such claim; (ii) tender the defense of the claim to us; and (iii) cooperate with us in the defense against the claim. If we accept the tender of defense, we have the right to manage the defense of the claim including the right to compromise, settle, or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by the addition of the following paragraph at the end of the Item:

   > Pursuant to Minn. Rule 2860.4400D, any general release of claims a transferor may have against us or our directors, officers, shareholders, and employees, including without limitation claims arising under federal, state, and local laws, rules, and ordinances, excludes claims the transferor may have under the Minnesota

Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

3. With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. § 80C.14, Subds. 3, 4, and 5, that require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement, and that we not unreasonably withhold consent to the transfer of the franchise.

4. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring that litigation be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement abrogate or reduce any of your rights provided for in Minnesota statutes Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. The Franchise Agreement contains provisions that may be interpreted as liquidated damages clauses under Minnesota law. Certain liquidated damages clauses are unenforceable.

6. No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM TO
BUDDY'S HOME FURNISHINGS®
DISCLOSURE DOCUMENT FOR THE
STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

> **INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY.**
>
> **THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following language is added to the end of Item 3 of the Franchise Disclosure Document:

> Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:
>
> A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
>
> B. No such party has pending actions, other than routine litigation incidental to the business, that are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
>
> C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 5 of the Franchise Disclosure Document:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

4. The following language is added to the end of the "Summary" sections of Item 17(c), titled Requirements for a franchisee to renew or extend, and Item 17(m), titled Conditions for franchisor approval of transfer:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

5. The following language replaces the "Summary" section of Item 17(d) of the Franchise Disclosure Document, titled Termination by franchisee:

You may terminate the agreement on any grounds available by law.

6. The following language is added to the end of the "Summary" sections of Item 17(v), titled Choice of forum, and Item 17(w), titled Choice of law:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

7. Franchise Questionnaires and Acknowledgements. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. Receipts. Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal

meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

ADDENDUM TO
BUDDY'S HOME FURNISHINGS®
DISCLOSURE DOCUMENT FOR THE
<u>STATE OF NORTH DAKOTA</u>

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, and the policies of the Office of State of North Dakota Securities Commissioner, the Franchise Disclosure Document for BHF Franchising, LLC for use in the State of North Dakota shall be amended as follows:

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. Restrictive Covenants: Any provision which discloses the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Any provision requiring that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. Restriction on Forum: Any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Any provision requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary and Punitive Damages: Any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Any provision requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

2. No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (1) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (2) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the Retail Business.

ADDENDUM TO
BUDDY'S HOME FURNISHINGS®
DISCLOSURE DOCUMENT FOR THE
STATE OF RHODE ISLAND

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the Franchise Disclosure Document for BHF Franchising, LLC for use in the State of Rhode Island shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraph at the end of the Item:

> § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this Addendum to the Disclosure Document.

ADDENDUM TO
BUDDY'S HOME FURNISHINGS®
DISCLOSURE DOCUMENT FOR THE
STATE OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for BHF Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

The following statements are added to Item 17.h.:

1. Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement or development agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him/her under the franchise. If any provision of the franchise agreement or development agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him/her under the franchise, that provision may not be enforceable.

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise

agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATE	**EFFECTIVE DATE**
California	*Pending*
Illinois	*Pending*
Indiana	*Pending*
Maryland	*Pending*
Michigan	*Pending*
Minnesota	*Pending*
New York	*Pending*
North Dakota	*Pending*
Rhode Island	*Pending*
South Dakota	*Pending*
Virginia	*Pending*
Washington	*Pending*

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If BHF Franchising, LLC offers you a franchise, BHF Franchising, LLC must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale. New York requires that BHF Franchising, LLC provides you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to, BHF Franchising, LLC or one of its affiliates in connection with the proposed sale. Michigan requires BHF Franchising, LLC to provide you with this Disclosure Document ten business days before you sign a binding agreement with, or make payment to, BHF Franchising, LLC or one of its affiliates in connection with the proposed sale.

If BHF Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchise sellers for this offering are listed below. The principal business address and telephone number for those employed by BHF Franchising, LLC is 8529 Southpark Circle, Suite 410, Orlando, Florida 32819, (813) 623-5461. Please check the box beside the name of the franchise seller(s) with whom you discussed the franchise offering:

□ Michael Bennett	□ Teresa Hill	□ ____________
□ Mitchell Lee	□ Michael Zagar	

Issuance Date: March 28, 2026.

See Exhibit A for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated March 28, 2026, which included the following Exhibits:

A. List of State Administrators and Agents for Service of Process
B. Financial Statements
C. Franchise Agreement
D. Development Agreement
E. Technology Agreement
F. Signage Lease Agreement
G. Prospective Franchisee Confidentiality Agreement
H. Franchisee Acknowledgment
I. Table of Contents of Operations Manual
J. Sample Release
K. Current and Former Franchisees
L. State Addenda

____________ Date	________________________________ Signature	________________ Printed Name
____________ Date	________________________________ Signature	________________ Printed Name

Please sign this copy of the Receipt, date your signature, and return it to Michael Bennett at 8529 Southpark Circle, Suite 410, Orlando, Florida 32819.

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

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If BHF Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

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J. Sample Release
K. Current and Former Franchisees
L. State Addenda

____________	______________________________	______________
Date	Signature	Printed Name
____________	______________________________	______________
Date	Signature	Printed Name

Please sign this copy of the Receipt, date your signature, and keep it for your records.